

Let's Abolish Taxes

And Use...

NATURAL PUBLIC REVENUE

"LET'S ABOLISH THE INCOME TAX," is a slogan that made one man a Presidential candidate. Millions read with approval the widely circulated article by that name written by T. Coleman Andrews, former Commissioner of Internal Revenue. Many wanted to know what Mr. Andrews would suggest as a substitute. He preferred not to say at the present time.

We, too, agree that the Income Tax is harmful and plays a major part in the destruction of free enterprise and the creation of the totalitarian state. But we see no gain in abolishing it only to replace it with something equally harmful. All *taxes* are harmful and our aim should be to abolish as many of them as we can. "Let's Abolish Taxes" should be our slogan.

"Ridiculous! Impossible!, you say? What if there were a satisfactory and scientific way to raise income for government needs that had none of the harmful effects of a tax? A way that would actually encourage full employment and free enterprise, and enable us to greatly reduce functions of government?

Would you take a few minutes to look into it?

. . . . Here is your chance.

Noah D. Alper President.

Public Revenue Education Council,

Room 308—705 Olive Street,

Saint Louis 1, Missouri.

Telephone: CHestnut 1-4350.

LET'S ABOLISH TAXES

And Use NATURAL PUBLIC REVENUE

This is the story of a simple but vital fact about government and taxes. It is soundly based on experience and on truths of economic science. The fact, briefly stated, is:

Government, like an individual or a business, has a natural source of income and can be self-supporting.

This fact, when understood, will show all thinking people how our present system handicaps the producers of wealth and services and destroys their natural incentives. When this fact is applied to our economic system the same amount of labor and capital will produce much more wealth and services and give added leisure. The observable benefits will be so great that any serious threat to Free Private Enterprise by proponents of Marxism will be ended forever; and, by example, it will help roll back Marxism in other countries where it prevails.

The Problem

Men have seen the possibility of a SELF-SUPPORTING government. The following conversation between William H. Seward, Secretary of State under Lincoln, and Andrew H. Green, a distinguished citizen of New York, is taken from the book, "War-time Statesman", by Mr. Seward's son. All that Mr. Seward and Mr. Green say of New York City and the citizens of their time applies just as certainly and as fully to our government and our conditions today.

Taking up a corporation report, Mr. Seward said:

"Mr. Green, here is something which you can comprehend, but I confess I cannot. Here is a great corporation which has vastly more property and resources in the way of real estate, streets, franchises, docks and wharves, buildings, rents, licenses, powers and privileges, than any other corporation can possibly have. And yet it cannot pay its own expenses. It has to ask the individual taxpayer to go down into his pockets and take out of his personal earnings a yearly contribution, in order to keep this gigantic corporation on its feet. Why should not the City of New York pay its own expenses? Why should the individual taxpayer be called upon at all?"

To this Mr. Green replied:

"Mr. Seward, you are right. The problem is one that I have worked on over many years. The City of New York has given away more than enough to pay its expenses many times over. But the citizens of New York don't see it, either because they are too careless, too ignorant, or too unpatriotic, or don't want to."

Public Services Build Natural Public Revenue

There are two types of public services, one provided by private industry, and the other by local, state and the Federal governments.

The public services privately provided are of two classes, those regulated by government, and those largely unregulated.

Regulated public services are those privately provided by companies that are granted a public franchise or monopoly to provide light, power, gas, communications, transportation, etcetera, to the public. Unregulated public services are found in the competitive area of our economy. These are provided by all producers of wealth and services such as those who operate factories, stores, mines, farms, hotels, theatres, newspapers, or who give professional services like doctors, ministers, lawyers, educators, etc.

Let us look at the type of public service that is provided by government. Today, as in Mr. Seward's time, government builds housing essential to its functions. It constructs roads, dams, canals, maintains river channels and harbors, provides wharves and docks, irrigation and conservation systems. It furnishes national defense, police and fire protection, parks and playgrounds, museums, libraries, schools, sanitation, postal services, etc. These same services are sometimes furnished by private groups. When so provided, those who undertake them usually expect the projects not only to pay their original cost and upkeep but to produce an income of wages and interest as well for the enterprisers.

People know that constructing, operating and maintaining these services, whether privately or publicly financed, must be paid for in one way or another. People willingly pay an extra amount for products and services which have an extra quality; perhaps they save time or add convenience. They are also willing to pay fees to governmental agencies for the issuance of licenses and permits, for inspections, for regular mail, air mail, special delivery, money orders, and government publications.

Anyone familiar with the operation of facilities like the Port Authority of New York, the Bi-State Development Agency (of Illinois and Missouri), and the toll roads and bridges of America understands how public functions created under public or private authority and financed by private capital, are paid for willingly in fees and tolls by those who use them.

The Economic Factors of Public Revenue

Public services make the community a better place in which to live and work. For the advantage of living in areas which are well serviced people are willing to pay an amount in *excess* of the labor and capital cost of producing these public services. The excess amounts paid add up to a vast fund. Economic scientists have given this fund the name of Economic Rent, hereinafter called RENT-of-land. It consists of payments people voluntarily make for the use of one of the two primary factors of production: LAND.

The word LAND means all of our material universe, except for man himself and his products; it means sites for homes and for production of all kinds — for farming,

extracting natural resources, manufacturing, transporting, merchandising, and so on.

These scientists have named the second *primary* factor of production, LABOR by which they mean all human effort, both mental and physical, expended in the production of wealth and services, including, of course, the effort of management. The name WAGES has been given to the share of production due LABOR, including salaries, bonus and fringe benefit payments.

Economic scientists know that things as different as man, land, and man-made objects must be given different names; no scientist would put unlike things in the same category.^(*) For this reason they have given the name WEALTH to things of value that would not exist in their present form, place, or time had they not been produced by Labor and Capital-owners. WEALTH is defined as follows:

1. It must be a material object.
2. It must be a product of Labor.
3. It must have, *in itself*, the direct power to satisfy man's wants, and
4. It must have a value in exchange; that is, somebody must be willing to give some valuable thing or service for it.

CAPITAL is WEALTH, with the four qualities mentioned above, used to produce more WEALTH for income or exchange; it is WEALTH not yet in the hands of final users or consumers. This is the distinction between Capital-wealth and Consumers-wealth. CAPITAL, a secondary or derived factor of production, consists of man-made products such as buildings, tools, machinery, inventories, all transportation equipment, and the like. This automatically excludes LAND from being classified as CAPITAL, because Land is a natural, not a man-made thing. LAND is also a fixed quantity, while CAPITAL can be made in greater or lesser amounts as man's needs require.

All who create Capital must go through the process of "making, saving and investing;" anyone can be a Capitalist and most people are, many without being aware of it. Goodwill, patents, copyrights, etcetera, have value and can be exchanged and capitalized (in an accounting sense) but they are intangible and cannot, *of themselves*, be used to create WEALTH and thus are not CAPITAL in the economic sense. They add to the value of a corporation and to individual worth, but are in a different category from economic CAPITAL.

INTEREST, hereinafter termed INTEREST-wages, is the share of the total product due Capital-owners for the use of their *productive* CAPITAL.

Basic Interest of Labor and Capital-Owners are Identical

An easily observable fact of special importance to every citizen is that there is a direct, natural, and cooperative relationship between Labor and Capital-owners. The things which can be properly called CAPITAL, in economic science, are all extensions of man's physical and mental ability to labor and produce wealth.

Man and Capital have a cooperative affinity; both are active factors in the production of Wealth and this is true whether Capital is owned or borrowed by the user.

The cooperating relationship between Labor and Capital-owners is clearly shown by these facts: when ships (Capital) are at sea, men (Labor) are at sea; when factories (Capital) operate, men (Labor) work in them; when a farmer uses his plow (Capital) he (Labor) is at work; and in periods when Wages tend to be high Interest-wages also tend to be high and when Wages are low, Interest-wages are low too. The rewards of Labor and Capital-owners, except when interfered with by government, or by private monopolistic actions, go up and down together — allowing for a time-lag during adjustments. A demand for Labor is a demand for Capital, and vice versa.

These self-evident facts are important to all who are concerned about the political and bargaining relationships of men called Labor and men called Capital-owners. Let us not be deceived by legislation that appears to be good for Labor only, or good for Capital-owners only, which will actually prove detrimental to both in the long run. Unless proper emphasis is placed on the common interests of Labor and Capital-owners, too much emphasis is almost certain to be placed on what appear to be differences between them; actions based on these mistaken beliefs can lead only to evil results for both. A study of economic science reveals that the interests of these two groups are mutual. (The necessity for bargaining, individually or collectively, does not disprove the fact, since bargaining is only a method for bringing out the facts upon which agreements for working together are based.)

Contrary to the opinion of Socialists or Communists, Capital is not exploitive or monopolistic even when privately owned. Because it greatly increases the productivity of Labor, Capital makes possible higher wages for Labor or lower prices for consumers. All existing Capital is the product of man's labor applied to land, and cannot become a monopoly because man can make more of it if he desires. Of course, in order to do so, he must have access to land and natural resources; if these are monopolized by a few, it becomes more difficult, or even impossible to make the amount of Capital that may be desired. This result must not be blamed on the institution of private ownership of Capital, however.

Land is an *inactive* or passive factor of production and land-holders, as such, do nothing toward the production of wealth beyond allowing Labor and Capital to exert themselves on land. Thus land-holders have economic interests that are directly opposed to those of Labor and Capital-owners. Actions which make it harder for the latter to secure access to Land make land dealing more profitable but make the employment of Labor and Capital less profitable.

Origin of Things the Vital Fact

Economic value is created by people. If there are no people, nothing has value, because there is no demand for anything. Population gives value to prod-

* Let us distinguish at the very start between economists and economic scientists. There can be but one type of economic scientist, since there can be but one science of economics, based on natural laws. There can be an endless variety of economists, it seems, because economists can and do slant their viewpoint and interpret their data to fit their preconceived beliefs or the desires of their clients who may represent only one segment of society, like labor, big or small business, farmers, land speculators, etc. Economic scientists must be concerned strictly with natural laws, as far as these are known; with patterns of cause and effect and with predictability. If they permit themselves a view-point it is likely to be that of the welfare of society as a whole; the economic health of the nation. They are concerned with ascertaining the conditions under which man can receive the maximum of wealth and services for the amount of labor and capital which he expends, in other words, a just, natural and scientific distribution of wealth.

ucts and services as well as to land. From this fact some economists have deduced the idea that it is as just to tax Capital as it is to tax land values. They ignore the fact that there is a basic difference in the *origins* of Land and Capital and in their economic reactions to "taxation."

The economists who fail to see these distinctions usually classify land with Capital, instead of separately—a mark of "economists" rather than of economic scientists. This is the same error that Karl Marx made in his thesis on Capital. Naturally his subsequent reasoning, based on this fundamental mistake, converged further and further from the truth and kept Marxism from being scientific. One of the first principles of the scientific method is that the elements of any science must be correctly classified. Unlike things cannot be placed in the same category.

Identifying the Scientific Sources of Public Revenue

The payments of RENT-of-land, WAGES, and INTEREST-wages, add up to the total wealth and services produced by Land, Labor and Capital. These three shares represent the proportionate amount due each factor, as determined by the market place, for its specific contribution to production. (Note: Profits, an accounting, not an economic term, consists of undistributed RENT-of-land, WAGES and INTEREST-wages. These three shares are elements of such importance that they should not lose their identity in the indefinite term Profit.) In identifying the shares of distribution to Land, Labor and Capital-owners as RENT-of-land, WAGES and INTEREST-wages, another vital fact is developed. We have also identified the fundamental, scientific *sources* from which all taxes draw income to all levels of government, regardless of the number of taxes, the names given them, or where they are imposed on the system.

The natural affinity between Labor and Capital in production and their common need of access to land, enable economic scientists to reduce the possible sources of income for Federal, state and local governments to these two:

1. RENT-of-land (including royalties for the extraction of natural resources).
2. WAGE REWARDS of human effort (including salaries and INTEREST-wages).

The fact that only these two sources of public revenue exist makes talk by all politicians and many economists about different levels of government having different sources of revenue just so much economic nonsense.

The Origin of True Private Property

"To the producer belongs the product" is a self-evident fact; and this moral economic commandment is in harmony with the religious commandment "Thou shalt not steal." The only possible origin of consumer or Capital Wealth is in man's labor. This labor origin of products is the only moral basis of a claim to private ownership of property. While all Capital is Wealth and is the product of Labor (and of Capital-owners), all who labor are not necessarily producing Capital; only those producers who also save and invest are creating Capital.

Men cannot rest their claim to ownership of land on the economic and moral commandment that "To the producer belongs the product." They cannot say: "Since I own myself, I own what I make; I made the land, or

bought it from someone who did, and therefore I own it." Improving land is a matter of investing Labor and Capital in or on the land. This is not the same as making land, and improvements should be classified separately from the bare land value. Wealth created by Labor and Capital-owners is frequently exchanged for land titles, but this does not alter the fact that no man can claim private ownership to land on the grounds that "to the producer belongs the product."

Nor can a claim to RENT-of-land as private property be based on this precept.

The fact that we have inherited Old-world customs that permit title holders to collect and keep RENT-of-land as private income does not mean that they gave the land its rental value; rental value is produced by living, not dead generations, and belongs to those who currently produce it, as we shall see.

Legal and Moral Aspects of Property in Land

Let us consider some legal decisions concerning property in land.

Lord Chief Justice Coleridge said:

"All laws of property must stand upon the footing of the general advantage; a country belongs to its inhabitants."

An example of this is the right of eminent domain. Williams said:

"An English subject may enjoy absolute ownership of goods, but not of land. The law does not recognize absolute ownership of land."

Justice Longfield put it this way:

"Property in land differs in its origin from property in any commodity produced by human labor. The product of labor naturally belongs to the laborer who produced it . . . But the same argument does not apply to land, which is not the product of labor, but is the gift of the Creator to the world of mankind. Every argument used to give an ethical foundation for the exclusive right of property in land has a latent fallacy."

The Bible comments directly and clearly on man's equal right to land. Many are familiar with these quotations which, unfortunately, are largely ignored in and out of the pulpit.

"The Heaven, even the Heavens, are the Lord's; but the earth hath He given to the children of men." Psalms 115.16.

"The land shall not be sold forever, for the land is Mine, for ye are strangers and sojourners with me." Leviticus.

"We are many; the land is given us for inheritance." Ezekiel.

"The profits of the earth is for all." Eccles. 5. 9.

Morally and legally one man has as much right to the use of the natural gift of land as another. Since access to land in some form is essential to every one's existence, to say that some men have the right to use land while others do not, is the same as saying that some men have a right to exist while others have no such right. The very concept of the brotherhood of man, economically and morally, rests on an equal right to exist, and therefore on an equalized right to God's material gift of the universe.

What Gives Value to Land as "Economists" See It

The origin of land value has been identified clearly, by both economic scientists and practical land dealers, with the presence of population, its growth and progress. Two eminent economists of the classical school of economics saw the natural and inescapable effects of increasing population and progress on the distribution of wealth; these

can be readily observed by anyone. These scientists clearly explain what creates RENT-of-land, and just who is in a position to collect, keep and spend it, if a faulty tax-structure permits.

Adam Smith says in his book, "The Wealth of Nations," Book I, Chapter XI:

"Every improvement in the circumstances of the society tends either directly or indirectly to raise the real RENT of land, to increase the real wealth of the landlord, his power of purchasing the labour, or the produce of the labour of of people."

John Stuart Mill declares in his "Principles of Political Economy," Book V, Chapter 11, Section 5:

"The ordinary progress of society which increases in wealth is at all times tending to augment the incomes of landlords, to give them a greater amount of wealth of the community, independently of any trouble or outlay incurred by themselves. They grow richer, as it were, in their sleep, without working, risking, or economizing."

Few modern economists will disagree with these statements.

In the textbook, Economics, by Knight and Hines, we read:

"A city's business increases with the growth of population and economic activity about it. Its land is utilized with increasing intensity by crowding more buildings and all that goes with them on a given area, and by pushing buildings to greater and greater heights. Rents swell with the crowds and rise with the skyscrapers."

"In many cases land in general, and urban land in particular, is so located that its owners enjoy an 'unearned increment'—an increase in value caused by the fact that society uses the land more and more intensively."

Charles Manfred Thompson, former Dean of the College of Commerce and Business Administration, University of Illinois, says in his textbook, Elementary Economics:

"... Whatever the reasons—important as they are in actual business practices—we need only to remember in this connection that equal sized business sites produce unequal amounts of economic rent, and that these inequalities rest largely on forces usually independent of the owners of the sites."

Let us consider the reasons why title holders do not create the rental value which attaches to the land they are privileged to hold.

The United States is a country of some 3,000,000 square miles. At the time of the American Revolution only a few hundred thousand people inhabited this vast area. The population has increased to about 170,000,000, bringing enormous increases in the value of this fixed amount of land. In view of the statements made above by Adam Smith, John Stuart Mill and others, is there any doubt who receives most of this publicly created increase in the value of land?

In our thesis on the morality of land use and land tenure, it is important to consider the effects of concentration of population. In 1952 the Census Bureau reported that nearly half of the population of the United States was packed into city areas of only half of one per cent of the nation's land. In April 1950, "almost 39,000,000 people—a quarter of the population—live in 12 big urban agglomerations of 1,000,000 people or more. Some 69,250,000 people live in 157 'urbanized areas'—a city of 50,000 or more people, plus its suburbs." But in these areas a small percentage of the land holders own a very large percentage of the VALUE which results from this concentration of population. Al-

though many of our people hold title to land a comparative few hold title to the *really valuable land*. As few as 5 per cent of the title holders might easily hold as much as 90 per cent of the land value; we must, in this connection, remember that some 50 per cent of our people have no special privilege of title holding of land at all. Land distribution in our country is similar to distribution of the meat of a steer so that most get a fragment of the hoof or tail while a few get all of the steaks and roast.

While the population of a country is an important factor in creating land values, another vital factor is the progressiveness of the people, their ability to shape and use Capital more effectively. There is little doubt that capital formation, more than any other thing, accounts for the high level of productivity and wages that prevails in the United States today in spite of the taxes and government restrictions we impose on our Free Enterprise system. Imagine how greatly production and wages could increase if we were to remove these brakes!

Since land is fixed in quantity, the growing demand for sites having high commercial, industrial, resource, or residential advantages must inevitably cause a great increase in its capacity to yield RENT-of-land. The effect of progress on the demand for land is clear in the following illustration. "The Fifty Year Story" of the United States Steel Corporation makes this statement:

"When the steel age began 1.2 pounds of steel were produced per person in the U. S. By 1900 the figure had risen to 300 pounds per person. In 1950 it (the steel industry) produced 1,276 pounds for every man, woman and child in America."

Anyone can see how an increase in the demand for steel is a demand for land containing iron ore, alloys, and coal in addition to the expensive sites required for additional steel mills, storage, sales and office facilities. The mills and other structural requirements themselves will require construction materials which must come from land, and the new workers will need homesites in the vicinity. Increased production of one thing requires increased production of other things. No matter who the owners of the land are, or what they do or refrain from doing, the price of land will go up.

What will be the future rental value of the fixed amount of land in this country if population, invention, and methods of production continue to advance as they have in the past? No wonder John Stuart Mill and others say that land holders, as a class, "grow richer, as it were, in their sleep, without working, risking, or economizing."

What Gives Value to Land as Land Dealers See It

Although few understand the scientific theory of land value and its taxation, everyone understands success in land speculation. Labor and Capital-owners, who depend on daily production to make their living, should be greatly interested in what land dealers say causes land values.

The Muscle Shoals Land Corporation said in an advertisement:

"Buy land in Muscle Shoals . . . No matter who develops Muscle Shoals—the government or private enterprise—VAST NEW INDUSTRIES ARE ASSURED. These industries will mean a GREAT INFLOW OF POPULATION to Muscle Shoals, and LAND PRICES WILL ADVANCE RAPIDLY."

"Remember the basis of ALL LAND VALUE is INDUSTRY. INDUSTRY means POPULATION. POPULATION means LAND VALUES." (Muscle Shoals is part of the Tennessee Valley Authority project.)

In a small booklet designed to sell stock in the Boulevard Frontage Company of St. Louis, Missouri, we read:

"Arthur Brisbane, who reportedly made millions from land speculation, is quoted as saying: 'I found one day that no American City which had grown to a quarter of a million people ever failed to grow still larger. This is an important fact to which there has never been an exception . . .'

"Land values are made by population. When population grows, land values grow . . . I profited. Then I reinvested my profits. That is all there is to it."

In the same booklet we find this:

"Opportunities for profit in real estate follow the path of public improvements. The more public improvements there are, the more opportunities for profit there are."

"The Company predicts that profits will be large, because business and boulevard real estate in the path of public improvements will increase in value."

The booklet points out this truth: Even Zoning Ordinances Profit Land Speculators.

"Prior to the time the City of St. Louis adopted a zoning ordinance, business property could be located at any place. Even now, look around anywhere, and stores of every description may be seen—right in the very heart of residential and home districts. It does not take much imagination to predict a greater demand than ever for business locations along business thoroughfares. Naturally, as the demand for locations grows, the value of the locations will grow, and greater profits will be made. It is in this type of property that Boulevard Frontage Company will specialize."

The St. Louis Globe-Democrat of January 7, 1953 carried two front page items especially relevant to the fact that Government has its own natural income and need not take the private income of its citizens. Observe the relationship between these two sub-headings: "DOWNTOWN PROPERTY SALE ANNOUNCED" and "PERMANENT EARNINGS TAX ALSO URGED," both of which were placed under this banner headline: "\$100,000,000 CITY BONDS PROPOSED."

The item announcing the sale of downtown land occupied by Stix, Baer and Fuller, a leading St. Louis department store, contained a comment by a representative of the real estate department of a great St. Louis bank to the effect that:

"Outside capital has been investing heavily in downtown real estate in the last few years and that real estate values have been enhanced by such improvements as the East St. Louis Veterans Bridge, the Third Street Highway, now under construction, and the projected development of the Jefferson National Expansion Memorial."

Note that privately owned land in strategic locations becomes more desirable because of these public improvements, some privately and some publicly financed.

The second news item, "PERMANENT EARNINGS TAX ALSO URGED," shows how the public will be made to pay for the "expanded facilities" which increase the value of privately held land:

"Vast expansion of the City's facilities through a huge bond issue, reorganization of the municipal government and a permanent earnings tax were recommended yesterday by the Citizens Finance Committee as a long range solution to St. Louis' financial problems."

"The City of St. Louis is not in a position to grow by extending its boundaries. It can, however, grow and progress through a more intensive use of the lands within its boundaries. This kind of progress is only possible through the continuous expenditure of money for business and industrial facilities."

Notice that the Citizens Finance Committee evidently did not consider the possibility of collecting the costs of

the expanded facilities from the people who would benefit directly from them—the title holders to land who are bound to reap the increase in land values. Instead an earnings tax was proposed and passed, making St. Louis a city whose citizens pay three income taxes.

William Zeckendorf, President of Webb & Knapp, Inc., famous realtors, in a Post-Dispatch article on June 6, 1955, gave a clear and convincing proof that land speculators expect to receive special benefits from projects paid for by taxing all the people. He said:

"The greatest boom in real estate values ever to occur in the United States could be a practical certainty in the next ten years. All that is needed to touch off the natural forces for growth is an act of Congress which I hope will occur within the next few weeks." (It did occur.)

"If such a net work (National Highways) is authorized to be built with Federal funds the economy of this country will get a four way stretch and perhaps the greatest development we have ever seen."

"The first to benefit would be real estate. The proof of this is the astonishing and spectacular rise in values in the few places where adequate highways have already been built. Modern highways draw into their area business, industry and new uncrowded housing, more naturally than sugar draws flies."

Some of the areas cited by Mr. Zeckendorf were: East Shore Freeway, connecting Oakland and San Jose, California where land that sold for \$500 an acre averages \$21,000 per acre, some going as high as \$40,000. Bronx River Parkway in New York where, in a 12 year period, residential areas increased in value by 1189 per cent, with areas beyond the Parkway increasing 432 per cent. Concerning the 562-mile New York State Thruway he said: "No example of the effect of a super-highway on our economic life is more convincing."

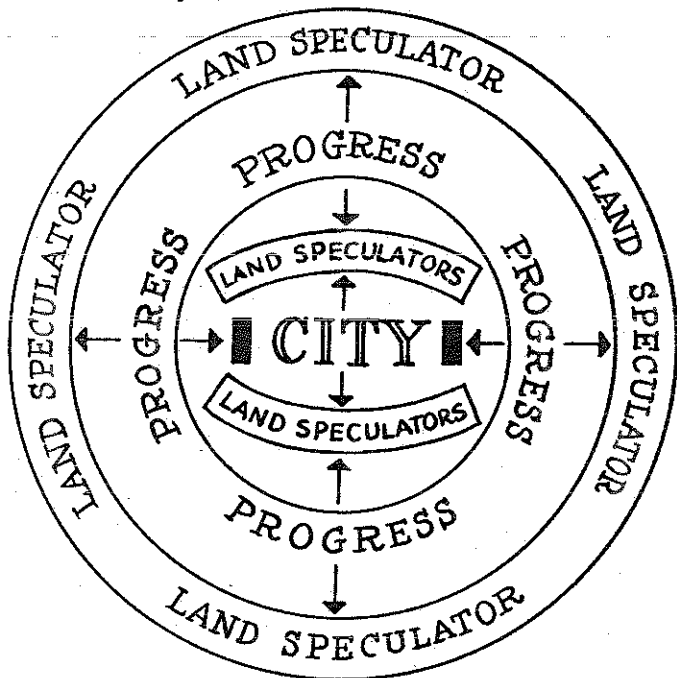
Ask yourself again: Who pays and who profits? The cost of the national "four way stretch" highways so eagerly anticipated by Mr. Zeckendorf and many others, we may be sure, will not be paid for from the land values these roads will create. The Federal government, which does not tax land values in any way at this time, will once more employ the American custom of taxing the earnings of many to profit a few. Here is the way money is being raised to pay for the coming boom in real estate values: There is a 1¢ increase in the tax on gas and diesel fuel for trucks, a 3½¢ a pound tax on tires and on retread rubber, a 2% increase in the excise tax on trucks, buses and trailer trucks, a \$1.50 per year per 1000 pounds for trucks weighing 26,000 pounds or more. Some \$14,800,000,000 will be collected by these taxes until 1972 to be added to "present motoring taxes amounting to about 23½ billions for that period to make up a highway trust fund of about 38½ billions for the pay-as-you-go building project." These taxes will all be paid by the consumer, either directly or indirectly, in higher prices for hauling and for consumer goods.

All these illustrations clearly show that land speculators count on public improvements to preserve or increase their land values. These speculators and other holders of valuable land have developed highly the art of propagandizing and lobbying to divert both public and private spending to areas where they hold land, even though the improvements might be more beneficial to the public if located elsewhere. At the same time, the effort goes on constantly to promote a shift of the tax burden from their holdings of community-produced land values to private produced Wages and Interest-wages.

LAND SPECULATORS —

Blockaders of Community Progress

Whether a community develops intensely, inside its boundaries, or extensively, land speculators, encouraged by our present tax-policy, are in the way. Which do we want, community progress or decay? What we get depends largely on whether or not we untax the products, services and exchanges of Labor and Capital-owners, and tax more heavily the publicly-created value of land. Our tax-policy is wrong if PROGRESS is what the people want. That this is true, yet unseen and not understood by the people, is hardly a tribute to economics education in our country.



Besides the land interests, other groups who are eager to see billions of dollars spent for schools, highways, power, irrigation and flood control projects are not as much concerned with the way the money is raised as they are with getting it and spending it. Naturally, suppliers of material, engineers, contractors, and construction labor want the work and the business such projects give, and there is no denying that these people are productive and worthy of their hire. It must be admitted that most of the leaders of campaigns for "Progress vs. Decay" in American cities have little or no personal interest in land speculation; they are simply Americans who want to be proud of the community in which they live and they want better facilities for the use of all.

Modern techniques in public relations work wonders in picturing the advantages of public improvements of all kinds. Directors of public relations are able to secure endorsements of church, school, professional and community groups of all kinds. Unfortunately, it is possible to sell the public on the horrors of decay and the wonders of progress and at the same time sell them a method of taxing the people which violates justice and forces down the standard of living.

The Only Way Profits Can Be Made in Land Dealing

The secret of making profits in land dealing lies in making use of two facts of economic science connected

with the incidence of taxation. One fact is that a tax on the value of land is paid by the title-holder only; it cannot be shifted to anyone else. The other fact is that taxes on man-made things are shifted in higher prices to the consumer, allowing for periods of adjustment.

Practically all college economists teach that a tax on land value is a direct tax that is paid by the title holder.^(*) However, this fact is so poorly presented and emphasized in textbooks and class discussions that it might just as well not be taught at all as far as its effect on American tax policy is concerned. The general ignorance of this fact which is so vital to the country's welfare is proof of the sad state of economic education in most American schools.

Real estate men, and land dealers, who have a primary or substantial interest in making money from land dealing must subvert the tax system before they can profit. They must not only encourage public spending for improvements to keep ahead of the actual need, but they must have taxes "rigged" so that their actual or potential incomes from land are much greater than the taxes they have to pay. The difference is profit, composed entirely of net RENT-of-land; the greater the difference the larger the profit.

But real estate men whose activities are chiefly constructive should be interested in a tax system which would make land cheaper and more available and give better housing at a lower unit price. So should architects, contractors, suppliers of building materials, furnishings and fixtures, insurers, and all construction workers. They would have more profitable job opportunities. Our present tax structure is designed so that it has the opposite effects.

Dealers in land and its rental value have attained phenomenal success in their campaign to shift our taxes from the RENT-of-land source to the only other source, the Wage Rewards of human effort.^(*) This is evident in highly inflated land prices and in a tax structure, on all levels of government, that is designed to bear more heavily on Labor and Capital-owners under the guise of "spreading the tax base," which is only another way of giving "tax relief" to land values.

These American land tenure and tax policies which favor "earth-lords" are little better than a polite legal racket in their effect on industry and business, and on labor. In Russia and China, it was "earthlordism," not capitalism (almost non-existent in these two countries) which led to the Communist Revolutions.^(**)

This legalized "land tenure and tax racket" is akin to piracy. Ocean pirates planted themselves in the trade routes where they could prey on the commerce of the world. Even title holders to land found it to their interest to curb this piracy because it interfered with production, exchange and progress. For the same reason we, too, must curb land pirates (land speculators) who plant themselves in the path of progress.

(*) See our pamphlet, "The Great American Tax Shift," available on request.

(**) Traditionally, those who own land have been called "landlords", lords of the land. Those we call landlords today frequently furnish housing of all kinds, as well as other forms of capital: furniture, orchards, water systems, drainage, etc. The great majority of "landlords" today have far more value in capital than in land. In the interest of exactness we should use the word "earthlord" as more descriptive of those who seek to make money out of land dealing.

Our criticism of land speculation and our land tenure and tax policy is not to be taken as an attack on individuals who are simply following the rules of the economic game as it now exists. Nor should we blame anyone now living for our wrong-source public revenue system inherited from our past. The important thing is to correct our faulty revenue system by applying economic and moral principles which will advance free enterprise economy and preserve our liberties in spite of the threat of Marxism. On this rests our only hope of success in the decisive ideological battle now being waged.

Two-Way Benefits For Everyone

Few politicians, economists, or sponsors of public projects would deny that all citizens should benefit equally from them. Every tenet of basic law, economic justice and morality so testifies. When we deny the right of individuals to benefit equally from their God-given common heritage of land and from the many publicly and privately provided public improvements and services that now create RENT-of-land, we perpetrate an injustice whose correction must become an issue. In our country it is understood that nothing is ever settled until it is settled right; the American people will not knowingly maintain the status quo if it involves the perpetuation of injustice.

All people profit in one way from public improvements — from benefits of their presence or use. But do all people benefit in the SECOND way? Do all make money or get increased land values, or have their property values preserved from decay at public expense? Most property owners spend their own money to prevent decay; others milk their property of every fragment of improvement value to save taxes, thus stimulating slum growth. Then they wait for the public to buy their land at high prices in some slum clearance project upon which public or semi-public housing or industrial units will be built.

It is possible to finance public improvements and the general cost of government so everyone will benefit in two ways, enjoying finer public facilities and sharing in the increase in land value also.

Fortunately this can be done in a way that will encourage title-holders to make the best use of their land for the benefit of themselves and the community too, without disturbing their title privilege to enjoy perpetual and exclusive use of the land they wish to hold. It can be done in a way that will make it possible for many more people to enjoy these title privileges.

The logical solution is to utilize the laws of cause and effect inherent in economic science, because only through them can problems be solved satisfactorily on both the material and moral plane.

The First Requirement of Economic Justice

Many people rightly feel that there is an inequity in the distribution of wealth and that the way to cure the resulting evils such as slums, inflation, depressions, inability to afford proper medical care, and the like, is to use the coercive power of government to redistribute wealth by taxation and welfare projects. Since these methods ignore natural economic laws and treat the symptoms instead of removing the cause, they cannot cure the inequities that do exist — they can only cause more inequities. We continue to have an unjust distribution of wealth, and worse still, we find ourselves a long way

down the road to Socialism, traveling at an accelerating pace. In fact, knowingly or not, we are applying the Marxist principle of "From each according to his ability; to each according to his need."

These well-meaning people seem to have forgotten that, "An ounce of prevention is worth a pound of cure." It is one thing to use coercive force of law to stop robbers, burglars, pickpockets and those who otherwise take wealth not properly theirs; it is another to use legal coercion to take and redistribute wealth fairly earned in the market place. We can say that if we would take steps to assure a just distribution of wealth in the first place, costly and unjust schemes for its redistribution would be unnecessary.

The First Axiom of Economic Justice

The principle which would make possible a proper distribution of wealth and services is simple:

EQUAL RIGHTS TO ALL AND SPECIAL PRIVILEGES TO NONE.

This means that each man must have an equal, or equalized opportunity to produce. That is, he must first of all have an equalized access to land. He must also enjoy his private property in Wages and Interest-wages to the fullest possible extent, exempt from taxation.

The crucial injustice in the American economy, the injustice that brings about an inequitable distribution of wealth, is the existing inequality in the distribution, not of land, but of land values. This injustice can and must be corrected scientifically; it cannot be done by redivision of the land as Moses proposed each Jubilee Year, nor as is being attempted in Japan, Italy and other countries where trifling amounts of rural land are redistributed while the problem of valuable industrial, business, and natural resource land remains untreated.

No man is free who must pay tribute to other men like himself, because of harmful land tenure and tax systems, for permission to live, work, and rear a family on God's earth. Dr. Viggo Starcke, a member of the Danish Parliament, expressed this idea when he said that Soviet Russia promises people land but not liberty, the Western world offers liberty but not land! and that country will be truly free which gives its people both land and liberty.

We have seen that rental value is not created by anything that title-holders do, but is created by the growth and progress of the whole community. These are reasons why RENT-of-land is Natural Public Income and should be collected by the community to pay for public services and improvements. Only in this way can all men benefit from the gift of Nature and share equally the rental values they all helped to create.

When RENT-of-land is collected and used by private individuals, Labor and Capital-owners must not only pay RENT to title-holders for the privilege of living and working on land, but they must use their earned private property of Wages and Interest-wages to foot the bill for the community services which gave the land its rental value. In effect, they are paying twice for the same thing. However, if the publicly created RENT-of-land were used to pay for public improvements and government services, and taxes were abolished on all productive effort, everyone would be assured of the fullest possible return for his labor. This is the scientific way to bring about

real parity among producers, a condition which none of the current legal manipulations or economic stunts can ever achieve.

Our present tax laws are in direct conflict with economic principles, as well as with legal and moral concepts of property in land and in products. We untax land values which are naturally public while taxing more heavily individually created values which are naturally private.

Collection of Natural Public Revenue Is Not a Tax

When people voluntarily offer to pay title-holders RENT-of-land for locations they need for homes and business, or to extract natural resources, they get their money's worth. They do not consider they are paying a tax. Neither is it a tax when a title-holder turns over RENT-of-land to the community for the land which he uses himself or which he leases to others. It is a payment as direct as one made when buying goods in a store; it is a specific payment for community-created benefits or values attached to land described in the title.

Taxes, however, are not voluntary but compulsory and frequently they are charges for services not received or not wanted by the taxpayer. Only because government neglects to collect its full Natural Income is it obliged to take the private incomes of Labor and Capital-owners to the extent that it now does by direct and hidden taxes.

Title-holders are now paying a part of the rent to the community through the property tax which falls on land value. All that is necessary is to increase the amount taken until it approximates the full rental value of the land. When title holders pay society the full rent of land, they have given up nothing which is justly theirs. There is nothing in a land title which fixes or limits assessments or tax rates. Today these are determined by political pressure and propaganda, not by principles of economic science or justice. No title holder should be asked to pay more than the actual rental value as determined by the free market and sound assessment practices; nor should he be permitted to pay less.

As to the legality of the community collecting this publicly created value, Chief Justice Marshall of our Supreme Court, *Providence Bank Case*, 4. Pet. 514, 560, has this to say:

"Land, for example, has in many, perhaps in all states been granted by the government since the adoption of the Constitution. This grant is a contract, the object of which is that the profits issuing from it shall inure to the benefit of the grantee. Yet the power of taxation may be carried so far as to absorb these profits. Does this impair the obligation of contracts? The idea is rejected by all."

Let's Use Natural Public Revenue and Abolish Taxes

Taxes can be abolished if the people will direct their government to collect Natural Public Revenue and to operate on the following sound business principles:

- 1) that government undertake only such functions as cannot be performed by individuals or voluntary associations of individuals,
- 2) that government live within its income of Natural Public Revenue and the fees for services of a special nature rendered to individuals or groups, and
- 3) that government be bound by these principles: "Equal rights to all and special privileges to none," and, "To the producer belongs the product."

If we choose RENT-of-land as our source of public revenue and let the amount collected establish budget

limits of government, we can abolish taxes at once; or we can abolish them gradually by reducing functions of government to their rightful scope over a period of time. But we cannot abolish taxes if we insist on government's doing anything and everything for people which they could do for themselves; and which they would do if government (and non-government monopoly) did not make it impossible. Nor can we achieve our objective unless we abandon the unscientific and unbusiness-like notion of "ability to pay" on which income and inheritance taxes are based. However well such a doctrine may apply to contributions to church and charity, where there is no legal compulsion to give, they do not apply to the people's business of government. It has been said that the income tax, which is based on the doctrine of "ability to pay," is no more ethical than the robber who does not ask, "How do you get your income," but "How much do you have." (More and more people are beginning to see that it is just as immoral for individuals to delegate to their agent, government, the authority to take wealth from one person and give it to another, as it is for an individual to steal for the same purpose.) Nor can we reach our goal if we continue to use the deceitful doctrine of tax "diffusion," which some economists call "spreading the tax base" or "taxing across the board." It is unscientific and produces the results of artificially high prices on land and products and high taxes on exchange and earned incomes. These are the basic conditions which unbalance our free enterprise system, discourage individual initiative (*) and encourage government intervention in areas of operation which should be reserved to individuals and groups of individuals. These are trends which not to reverse is to invite disaster.

If the people should vote to spend more than the RENT-of-land fund, the deficit would have to be made up by taxing Natural Private Income—Wages and Interest-wages. In this case, each citizen should receive a bill for his share of the deficit. (There should be no indirect or hidden taxes; nor should business and industry be forced to become tax collectors.) The citizen's direct tax bill, plus this knowledge of expenditures from the RENT-of-land fund would let him know exactly what government services were costing him.

The Effects on Land Speculation

When the community collects its full RENT-of-land income, land speculation becomes unprofitable and ceases. Speculators would be under direct economic pressure to use their land or to release it to those who could and would. They would then have to secure their income by being productive instead of obstructive, thus adding to the total of products available in the market place. They would begin to "put in" as well as "take out" wealth and services from the economy. They would cease to lobby for unneeded public improvements and taxes on production.

(*) Everyone wants to encourage initiative, but let us distinguish between the initiative that is constructive and the initiative that is destructive to society. Burglars and thieves are often intelligent and possess initiative, but it is thought proper to discourage them by law. Land speculators also display great initiative, and unlike burglars, the law not only protects them but encourages them by tax legislation. Considering that their initiative is applied to actions which injure society, it is quite proper to discourage such initiative by the public collection of the publicly created RENT-of-land.

The Effects on Producers

A policy of collecting Natural Public Income for government expenses and untaxing Labor and Capital-owners would greatly reduce the cost of both land and materials. The high speculative price of land would disappear as more RENT-of-land was taken by the community. Removing taxes from production would lower the prices of materials. Access to the more productive land which is now being held out of use, or inadequately used, by

speculators would enable producers of wealth to create more wealth with the same amount of labor and capital they now use.

The removal of taxes from production and earned income would greatly stimulate people to produce more. All these effects would make possible a better living standard for all who were willing and able to work.

There would be a greater surplus for giving help to those who were really in need.

The Effects on Title-Holders in General

One thing to be stressed is the fact that when the community took Natural Public Income for revenue, it should not take over the titles to land. Private ownership of title to land is very necessary to encourage production and improvements and to insure ownership of the things produced. Title-holders would continue to buy, sell, use, lease, bequeath, and improve land. They should certainly collect their private income from their buildings and other improvements. But they should not be absolved, as they are today, from meeting their full obligation to society. The Danish people wisely call this obligation the "Ground Debt," an equalizing sum holders of better land owe to those who own poorer land or no land at all. (*)

Under this system there would be fewer losses of property by tax and mortgage foreclosures. The price of land, uninflated by speculation and bad tax-policy, would be low enough that property owners would not have to be burdened with a mortgage in order to buy needed land; mortgages need be used to help finance improvements only. There would be many more title-holders than there are now.

With improvements untaxed, most property owners would pay less tax on their property than they do now, certainly their total tax bill would be less.

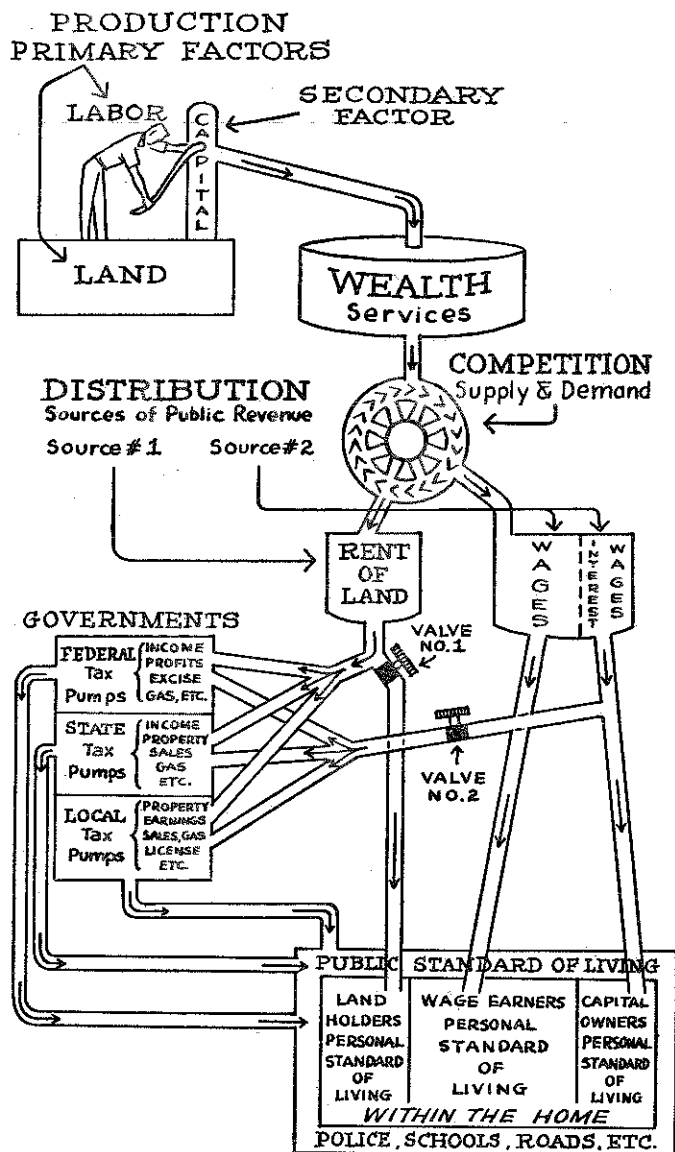
Everyone, including the great majority of land holders, would be better off. When we consider what may happen unless we alter our drift towards Marxism, even title-holders who would lose some immediate income might well be gainers in the long run. In Marxist countries, land owners have lost not only their rental income, but their titles to land, their capital, and millions, their lives.

The Effect on Government

The combination of lower land prices and lower material costs would reduce the cost of public improvements and services. Abolishing the multitude of taxes that now exist would also abolish the expense of their administration and collection. The need for welfare projects would vanish to a point easily cared for by individual or united private aid when everyone received his full production, minus taxes, and had unlimited opportunities for enterprise. The costs of government would be much smaller.

Government would not own land any more than it does now, since it now has the same type of tax lien on land, and also has an unlimited lien on all wages, capital, and consumer wealth. It would not direct the use of land as the Federal government now attempts to do in its misguided efforts to bring about parity for the farmer. Under a Natural Public Revenue system, the natural economic

(*) Land which produces only a bare living can command no RENT-of-land and is therefore not subject to land value taxation. Economists call this no-rent land Marginal land.



A STORY OF TWO VALVES

Here we picture the production and distribution of wealth (and services), and the relation of people and their income to government and our land. Wealth is distributed as RENT-of-land, Wages and Interest-wages. These three shares make up the total and become the possible sources of public revenue. Income is drawn to government by taxes which, in effect, act like pumps. Notice the two valves in the illustration. By drafting our laws so that RENT-of-land is taken directly by government we, in effect, close Valve No. 1. By abolishing taxes which fall on products and services, on exchanges and incomes we, in effect, close Valve No. 2. RENT-of-land, Natural Public Revenue, goes to government; Wages and Interest-wages, Natural Private Revenue, goes to Labor and Capital-owners. In the best way yet understood by man, with paid-for public services provided by RENT-of-land added to Wages and Interest-wages, man tends to secure his full production.

forces, operating in a free market, would make necessary adjustments far more quickly and efficiently than government planners could do. Everyone who understands the law of supply and demand, and how consumer demand controls production, could foresee changes that would require adjustments in his activities.

The seeming failures of these natural adjustments in the past were not the result of faulty operation of free enterprise principles, but the inevitable consequence of taxes and restrictions imposed on the system from without. When the free enterprise system worked smoothly and brought about an equitable distribution of wealth, there would be no excuse for government to interfere or to set up bureaucratic controls. Socialistic measures would not only have no reason for existing, but there would be less money to support them.

Good for Land Title Holders and Bad for Producers

Since neither Labor nor Capital owners can work without access to land and natural opportunities, this is an iron-clad economic fact:

A good tax policy for people who get their incomes primarily from RENT-of-land is a bad tax policy for those who get their incomes primarily from Wages and Interest-wages.

Our present tax structure makes it harder, when it could make it easier, for people to:

- 1) earn a living,
- 2) secure access to the land they need to live and work on,
- 3) keep all they earn for a good standard of living and for their old age,
- 4) build up reserves of capital that will make their labor more productive,
- 5) limit government paternalism and control,
- 6) revive respect for man-made laws,
- 7) preserve and perfect our free enterprise system, and
- 8) defeat Communism.

Natural Public Revenue is Based on a Sound Business Principle

Most Americans are familiar with payments made for the use of space. The most common space payments are for use of residential, hotel, office, factory, store and storage space. Others are for advertising space, travel accommodations and seats in places of entertainment. People rent display space in everything from carnivals to art galleries. Even air space is rented over radio and television channels. Some very large buildings have been built on leased air space over rail and terminal right-of-ways.

Newspapers and magazines sell advertising space. The space is made more valuable by news items, feature articles, editorials, sports, comic and financial sections, all of which attract more readers. It is sold (rented) at a price which takes into consideration the number of readers the advertiser can expect to reach.

The value of space in an office, factory, warehouse, or mart building is very similar to the value of ground areas on which people build their communities. These buildings have heat, light, power, water and air-conditioning. They offer such fire, policing, and sanitary services as are warranted. These buildings are swept and cleaned as are city streets, and like cities, they have their own form of transportation, the elevators. For all this space and services one single charge is made, usually calculated

on a square foot basis, with higher charges being made for the best exposure and convenience.

Subject to health and safety regulations, the tenant and title holder are free to decide how they will use the space and services they have contracted for in private industry. But whether or not they make the best use of this space, or whether they make or lose money, good business practice demands that the space charge be fully paid at the market price.

In hundreds of millions of yearly contracts for purchase or rental of space this same principle prevails; indeed the idea of payments based on "ability to pay" would be unacceptable to all parties to the contracts, with very few exceptions. The collection of RENT-of-land, or Natural Public Revenue, is based on exactly the same principle as the collection of payment for the use of any privately provided space with its attendant services. (However, there is this difference to remember: Land title-holders do not provide the services available to their land areas. The general public provides and pays for these.)

Only in the payment for space freely provided by nature and for services provided by government and private producers have we neglected to apply the principle of "pay for what you get."

How Bad Use of Community Space Creates Problems

No business man, no owner of hotels, apartments or theatres, no operator of a railroad, no owner of radio or TV channels, no publisher, and no housewife in her kitchen would permit such a gross violation of common sense principles in the use of space under their control as our citizens permit in the use of their greatest asset, their land area.

The proper use of land space is vital to the peace of the world. Strategic natural resource areas and routes of commerce like the Middle East and the Suez canal are really land problems; these are readily made excuses for governments and dictators to create military issues and to exploit commerce, even as did the pirates of old. A proper understanding of the natural and just relationship of man to land would establish an ideal pattern for land use which would leave no incentive for conflict in these areas of international importance or anywhere else in the world. However, our *failure* to solve our own land problem disqualifies us from giving advice to other nations where this problem festers and creates many other seemingly unrelated problems.

Paying For What You Get From Government Is An Old American Custom

The general collection of RENT-of-land for public use, limited strictly to its free-market-determined amount, is similar to charges made by benefit assessment districts. These have long been a traditional way of paying for what you get, a type of natural income to meet government costs; they are the opposite of the "something for nothing" tax-schemes now the pets of so many economists and vote-buying politicians who, knowingly or not, serve the land dealing interests against the welfare of business, industry and labor generally.

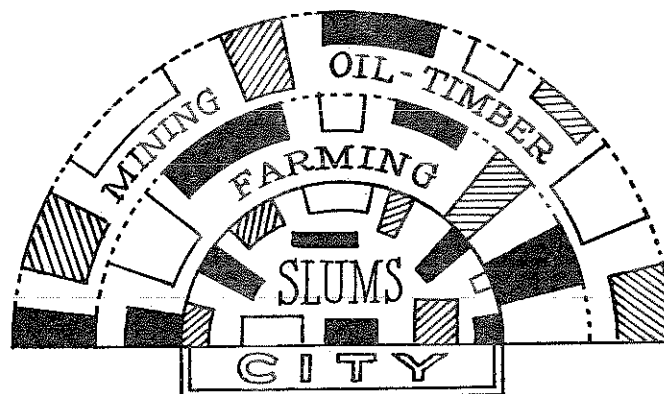
For such things as sidewalks, sewers and ordinary streets a special benefit assessment is excellent. It cannot be equitable for more general community improve-

Why encourage a CHECKERBOARD use of LAND-OUR MOST IMPORTANT ASSET ?

**LAND SPECULATION
NEEDLESSLY INCREASES
COST OF
GOVERNMENT PUBLIC
SERVICES**



Police, Fire, Schools, Streets, Sewers, Health Sanitation, Libraries, Museums, Parks, Playgrounds, Bridges, Thruways, Water, Courts.



□ Valuable Land - Fully Developed
 ▨ Valuable Land - Slums occupied by Taxpayers, Poorly improved buildings - (Speculation)
 ■ Valuable Land held vacant (Speculation)

**LAND SPECULATION
NEEDLESSLY INCREASES
COST OF
PRIVATE PUBLIC
SERVICES**



Telephone, Light, Power, Gas, Street Cars, Buses, Railroad, Trucking, Air, Private Schools, Hospitals, Hotels, Restaurants, Professional Services.

ments because it is difficult to estimate in advance just how much each parcel of land will gain in value. When the community collects its Natural Income no payments for public improvements would be collected until the benefits were clearly reflected in the increased rental value of the land. If such a policy were established, greater care would be taken by the community, especially by title-holders, to see that no unnecessary or premature public improvements were undertaken in outlying tracts of land before the area was fully ripe for them. As it is, professional dealers in land are not concerned if every dollar spent for public improvements actually creates as little as twenty-five cents of extra land value, provided they are able to cash in on that increase.

Shall We Keep the Tree But Give Away the Fruit?

The Federal government spends billions of dollars annually on such projects as Tennessee Valley Authority, the Hoover Dam, flood control, irrigation, conservation, river channels and highways. All of these create land values in the privately owned surrounding areas. The newspapers, the politicians, and the organizations who promote these projects seldom, if ever, ask government to recover the value created. Nor do the lawmaking, administrative or judicial branches of the Federal government encourage state and local governments to do so. Instead, the Federal government constantly volunteers to collect more and more money from Labor and Capital-owners to finance added public improvements.

The total amount of Natural Public Revenue that is given away by government, with little or no protest from the people (who are in an economic fog about tax and land tenure problems) is so vast that such "give-aways" as Tidelands Oil and Hell's Canyon seem microscopic. The politicians who seek votes by protesting these "give-aways" are narrow visioned indeed when they object to giving away the tree while voting to give away the fruit. (It may be that neither they nor their opponents know the difference.) They do not protest, at least in public, the "give-away" of RENT-of-land, the fruit of com-

munity progress, which goes on constantly in every district, village, city and state in the nation.

The Great American Tax Shift

The public collection of RENT-of-land is a traditional source of public revenue in the United States. In early days the property tax fell chiefly on land values because there was comparatively little else. It was the main support of local and state governments.

On four occasions the Federal government was allocated, on a population basis, a portion of the land value tax collected by the several states.

The great tax shift began when industry became predominant over agriculture and large aggregations of capital arose. This capital and its income became another source on which taxes could draw and land-holders were quick to take advantage of the opportunity to shift part of their taxes. More and more people began to receive their wages in cash which made the imposition and collection of an income tax more practicable, thus giving land-holders a chance to shift even more of their taxes to wage earners and Capital-owners. This tax made tremendous sums available to the Federal government to spend on paternalistic schemes that multiply as new pressure groups form to seek special privileges in the vain hope of counteracting the evil effects of special privileges already accorded other groups. Now that the income tax has gotten out of hand, even the land-holders protest.

The economic theory and political policy which produced the great tax shift is quite clear. Laws were passed so that the states and the federal government could take on more of the costs of road building, education and public welfare functions formerly provided by the local communities. The great increase in transportation and communication facilities made such a shift of functions seem logical. Then came the economic trick — *the great switch*. When the local governments provided these services, the property tax, which was primarily a land value tax, was used. To finance their newly assumed functions the Federal and state governments began to use

non-property taxes like income, profits, sales, use, gasoline, and excise taxes. Holders of valuable downtown and "crosstown" locations in cities, and holders of valuable natural resources were given the "tax relief" they sought. Those who held titles to their home lots, family-sized farms, poor quality natural resources, and those who hold no land at all, have had their tax burden increased—as was intended. The new taxes they pay are greater than the tax relief they get on their land and improvements: while holders of land of much actual or potential RENT-of-land income are benefited.

The fact that taxes have been shifted to Wages and Interest-wages in order to favor land holders in no way implies that RENT-of-land is not the proper source for government income. But it does explain why so much of the do-gooding by government and private charity fails to do good and accomplish its purpose in the long run.

Thus was accomplished the great American tax shift which spells the doom of true private property, free enterprise, and limited government.

Where the Use of Public Revenue is Emphasized

Although the land value tax is collecting a smaller percentage of local and state revenue than formerly, it still collects a substantial amount of RENT-of-land.

In Pittsburgh and Scranton, Pennsylvania, the Graded Tax Plan is in operation. In these cities the principle of self-supporting government is recognized by setting the tax rate on land values twice as high as that on improvement values. This has had a marked effect on promoting development of business, industry and public improvements in Pittsburgh. This unusual encouragement to construction and production is seldom mentioned by those who praise Pittsburgh as an example of municipal progress. Perhaps they are ignorant of the "graded tax" plan.

In 1951 the Assembly of the State of Pennsylvania enacted a home rule law, by a vote of 50 to 1 in the Senate, and 184 to 1 in the House, permitting 47 cities of the Third Class to tax improvements at a lower rate than land values, thus offering a two-way encouragement to construction and business.

In California some 120 Irrigation Districts use the plan of self-supporting government. The Wright Act of 1887 provided that "Directors of irrigation districts can levy an annual assessment on the land, exclusive of improvements, sufficient for its obligations and other specified purposes." By this policy of providing Natural Public Revenue to finance the projects, these local governmental sub-divisions have reclaimed some 4.5 million acres of semi-arid land without Federal or State aid. They have greatly curtailed land speculation by absentee owners and put land in the hands of owner-users. As Harlan Trott, correspondent of The Christian Science Monitor, pointed out in an article in the August 1956 issue of Frontier:

"Too few Californians today clearly understand what it is that transformed semi-arid Stanislaus County into a green patchwork of family-owned farms and orchards, nor why much of the land contiguous at Modesto and Turlock Irrigation Districts is still almost as uninhabited as it was when California was a colony of Spain."

The royalties of the Tideland Oil fields of Louisiana, Texas and California supply Natural Public Revenue to state and local governments; and in some states school districts and state universities are the beneficiaries of oil

and mineral royalties. The State of Nebraska uses income from leases on farm land owned by the State for school support.

Denmark is a nation in which the idea of self-supporting government is growing.

"Denmark is the first country in Europe to have put into practical operation the taxation of land values, and the first country in the world to have a political party of national influence whose chief aim is to make land values the principal and, if possible, the only source of tax revenue in the country."

"Since 1924 an annual national tax on land values apart from improvements has been levied, and since 1926 the local authorities have been obliged also to impose taxes on land values for some part of their annual expenditure."(*)

In Denmark, over 95 per cent of the farmers own the land they work. In the United States, during the period of the great depression of 1932, some 50 per cent of the American farmers were tenants, remarkably soon after settling a large continent where land was practically free. We can't brag about our record.

A Danish Parliamentary Commission, composed of members of all parties, after some six years of study, reported favorably on the full collection of RENT-of-land for public purposes, and the abolition of other taxes when and where possible. The details of this proposal are being worked out.

In Australia the idea of self-supporting government based on Natural Public Revenue is gaining ground at local levels, chiefly through a demonstration of its good effects in the areas where it is already in operation. Legislation enacted in 1883 permitted local governments to use RENT-of-land as an exclusive source of revenue. Only land title holders can vote on these proposals which require that a "three-fifths majority of those voting at the poll, or one-half the number of owners whose names are on the roll, must vote affirming the land value principle."(*) Under these severe requirements there have been successful polls in more than 25 communities in the State of South Australia. After the law has been in effect two years it is subject to repeal on a petition signed by 100 taxpayers. A simple majority suffices for repeal. Only four attempts at repeal were made and all failed to secure the necessary votes.

Sidney, Australia's largest city, and Canberra, its capital, use the RENT-of-land source exclusively for municipal purposes.

The State of Queensland levies a tax of two shillings (10%) in the pound on all undeveloped land. This is in addition to the present tax levied on land, and no exemption is allowed. The law defines undeveloped land as land that "has not on it improvements of the value of at least one-fourth of the unimproved value of the land." Since it falls only on holders of land held in an undeveloped state it is not a property tax; rather it is in the nature of an excise or privilege tax. It serves to further discourage land speculation and to encourage improvement of land use. This type of a law is especially desirable where State Constitutions, such as that of Missouri, demand that land and improvements carry the same tax rate. Such a provision flies in the face of economic science

(*) Quotation from Land Value Taxation Around the World, Robert Schalkenbach Foundation, 50 E. 69th Street, New York 21, N. Y.

principles which, if properly used, would help people secure both land and improvements, but which, as used now, serve to encourage slum growth and land speculation.

In New Zealand the idea of self-supporting government through the collection of RENT-of-land is rapidly gaining ground according to an article in *The Christian Science Monitor* of November 17, 1950.

"Out of 549 local communities within which rating authorities can be required to poll the taxpayers on the methods of taxation, 224 have voted for adopting the system of taxing unimproved value, or the land."

And this system is now "the most important system in operation."

Competing systems in Australia and New Zealand are either the taxation of both land and improvements as in the United States or the taxation of the income of improved land as in England, where there is no tax if there is no income, thus exempting vacant land from taxation.

In the Union of South Africa, Johannesburg, and Pretoria, the Capital city, use land value taxation exclusively. Government also supports itself by royalties collected from the privately operated mining companies.

New Westminster (British Columbia), Canada, derives most of its revenue from a land value tax. There is no tax on improvements. Many Canadian cities maintain higher rates on land values than on improvement values. Examples of the application of this idea to land locations and resources are widely scattered over Canada. The royalties (RENT-of-land) on oil production in Alberta, running from 6½ to 16 per cent, are collected for government use under a 1877 law. It is said that nowhere in the world is there a more orderly and less wasteful development of oil fields than in Alberta. Development is by private capital, of course.

In most countries of the Middle East, the principle of self-supporting government is followed where private companies pay oil royalties to the government. The principle is correct even if some individual rulers wrongly use this income chiefly for personal purposes.

Where Tax Education Goes Wrong

Taxation is now the field for a "class struggle" that will continue to rage as long as our public revenue system is made an instrument for profit by powerful self-seeking groups. The conflict will end only when the people insist that the principles of economic science and of morality be applied to the collection of public revenue.

Tax educators, academic and non-academic, continue to use a superficial and confusing approach to the subject; for the most part they make the inexcusable mistake of teaching *taxes* as if they were *sources* of revenue. A tax is no more a source of public revenue than a pump is the source of the water it pumps . . . a tax is used like a pump to draw income from the two sources of public revenue: RENT-of-land and Wage Rewards of Labor and Capital-owners. What would happen if professors of engineering were to give a course in water systems which placed great emphasis on pumps, and little or no emphasis on sources of water such as watersheds, rivers, lakes, and wells? Their students would be as confused as most students of taxes are now, and our water systems would be in as deplorable a condition as our tax system.

The study of public revenue should be based on the structure of economic science — on the relationship of the factors of production and the natural laws of distribution. The study should not be based on man-made tax laws, no matter how logically they may be arranged in the textbook or how eruditely they may be analyzed by the professor. The sources from which we draw income to government exist in nature and are made clear by a study of the factors of production and the natural laws of economic science.

Man can create endless taxes (pumps); but only nature can provide basic tax sources. Man can delude the majority of the voters into approving bad tax laws and believing they are good, especially if the money is raised for "good" purposes; but what man cannot do is to make good results for the people and the nation ensue from these unsound tax laws. Man can, however, use a correct source of revenue and get beneficial results through the operation of natural laws.

The one principle of public revenue that will bring order out of chaos is that of paying for "benefits received." This doctrine is based on the business principle of "paying for what you get," and is the opposite of tax relief for land title holders who, as such, favor the doctrine of "something for nothing." This "benefits received" basis for collecting public revenue is fully in harmony not only with the natural laws of economic science, but with the free market principle and with the Judeo-Christian principles of the dignity of the individual and the brotherhood of man.

The Citizen's Choice

When the people are given a chance to understand the principles and factors involved, they will approve of a public revenue system based on the principle of "benefits received." A school in the field of adult education, now in its twenty-fifth year, used to begin its course in fundamental economics by having students answer a questionnaire which included the following choice:

- 1) Taxes should be levied according to ability to pay, or
- 2) Taxes should be levied according to benefits received.

When faced with a direct choice between these two ideas a large majority favored the benefits received principle.

Regardless of all the tax doctrines and slogans that are bandied about, and the arguments that are advanced pro and con, a study of economic science reveals that the real choice which the people must make is this:

WHICH OF THE TWO SOURCES OF PUBLIC REVENUE SHALL WE DRAW ON, OR DRAW ON FIRST, TO PROVIDE INCOME FOR GOVERNMENT:

- 1) RENT-of-land, which is Natural Public Revenue, or
- 2) WAGE REWARDS of human effort, which is Natural Private Income?

This is the issue that must be decided by men and women as citizens, not as members of economic, social or pressure groups. The supremely important issue today is the choice of a source of public revenue that will secure economic justice, free enterprise and individual liberty.

The Public Revenue Education Council is an educational, non-profit and non-political institution chartered under the laws of the State of Missouri. Its main purpose is to promote education in the economic science of public revenue, and of private income. You are invited to investigate and to participate in this program of education.

Write for or phone for our free pamphlet "The Great American Tax Shift."

**NOAH D. ALPER, President,
Public Revenue Education Council,
Room 308 - 705 Olive Street,
Saint Louis 1, Missouri.
Telephone: CHestnut 1-4350**

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