

F Georg Kumpke  
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*the story of*

# The Great American Tax Shift

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**Why and How  
It Happened**

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**SHOULD THE TAX POLICY OF A  
FREE PRIVATE ENTERPRISE ECONOMY  
MAKE IT HARDER OR EASIER  
FOR PEOPLE:—**

1. To earn their living.
2. To secure the land and the capital needed to make their living.
3. To accumulate and KEEP for themselves what they earn.
4. To limit government paternalism and control which increase the need for more taxation.
5. To decrease the temptation to violate man-made and moral laws which our current tax policy encourages.
6. To perfect and preserve our free private enterprise system.

The Public Revenue Education Council believes that the American people prefer a tax policy which will make it EASIER for people to do these things. UNFORTUNATELY our present tax policy makes it HARDER—very much harder.

Many tax-education, tax-information, and tax-propaganda organizations now point out that there are too many taxes; that taxes take too much of the individual's production, even in ordinary times. Yet in spite of this education, tax battles go on and on. No tax issue is ever finally settled. In the midst of tax confusion compounded the REAL Public Revenue issue is not even seen. The Public Revenue Education Council proposes to expose this REAL issue which is our WRONG CHOICE of the *basic source* of government income.

This Pamphlet presents economic principles and offers facts that show clearly which basic source of Public Revenue the people should draw on to meet government costs. It shows why this particular source must be used if we are to survive as a free people and enjoy a true free private enterprise economy.

*Copies of this Pamphlet may be had at the following prices.*

1 — 24 — 15c each  
25 — 99 — 12c each  
100 & over — 10c each

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*the story of*

## THE GREAT AMERICAN TAX SHIFT

### (Why and How It Happened)

#### ...INTRODUCTION...

Why do men of industry, commerce and labor allow a few people to exploit our tax system to their own advantage and to the detriment of the American people generally? Why do they put up with cost-increasing, prosperity destroying "ball and chain" taxes — income, wages, inventory, sales, gasoline, excise, improvement and so forth — which apply a constant brake on every man's productive effort? Why do they do this when there is a *natural source* of Public Revenue that will stimulate and encourage rather than punish the truly productive initiative of Management-labor, Capital owners and all who work?

The use of the WRONG basic source of Public Revenue seriously hurts Free Enterprise. WRONG-SOURCE TAXATION is the crucial, although largely unseen, economic and moral issue today. We are indeed late! But we are far from too late. Even now, a correct Public Revenue decision by the people can reverse the trend. Right action can save and advance Free Enterprise's accomplishments. It can restore to Free Private Enterprise its rightful place of respect in the eyes of all mankind. And once we unchain (untax) our system, Communism is doomed to wither on the bush.

Every citizen should understand clearly THESE TWO FACTS about taxation.

Call a tax by any name you wish or impose it where you will, it will always draw public revenue from one or the other of TWO *basic sources*.

One of these sources is created by citizens as a *group*.

The other is created by citizens as *individuals*.

No person can think clearly on the subject of taxation until this economic fact is thoroughly understood.

The second fact about taxation that every citizen should know is this:

It makes a whale of a difference in its effect on us, as individuals and on our country, if we throw the bulk of the weight of taxation on the source we should **NOT** use, and manipulate our tax laws to give *tax relief* to the source **WE SHOULD USE**. Unfortunately we make this mistake in a big way and we are penalized heavily for it every day we live and work.

This pamphlet will undertake to do just three things:

1. Identify clearly and segregate the TWO BASIC SOURCES.
2. Demonstrate to your entire satisfaction that a *great tax shift* from one to the other of these TWO SOURCES has been and is going on.
3. Outline the inevitable bad effects of this wrong-way taxation — The Great American Tax Shift — on individuals and on the nation.



#### PART I

##### IDENTIFYING AND SEGREGATING THE TWO BASIC TAX SOURCES

To aid our efforts to identify and segregate the TWO BASIC SOURCES we must review a few rock-bottom facts we too often overlook.

Everything we have for use or consumption, through our own or our government's efforts, is a result of Human Effort applied to land sites and natural resources.

On this all can agree: everything people want or use, requires for its production, two things:

A. LAND (land sites and their natural resource contents).

B. Human Effort (active labor and active use of man-made capital-wealth).

Since it takes both LAND and Human Effort to produce anything, both LAND and Human Effort can and do claim a share of all products and services produced.

What LAND (or the title holder to land) gets is called ground-rent — or royalty — or economic rent — or plain RENT-of-land.

The reward for Human Effort is Wages (Salaries, commissions, bonus payments, etc.); and Interest-wages, an indirect wages reward due Human Effort for providing Capital-wealth which is really stored-up human effort.

While LAND and Human Effort are equally necessary to secure products (and services), they are unlike. Land is natural, a fixed quantity and passive. But Human

Effort is active. With the aid of Capital-wealth (machines, tools, stocks, buildings, etc.) Human Effort multiplies itself in seemingly unlimited production. Land is not produced by man, while all products (Capital-wealth and Consumer-wealth and services) result *only* from Human Effort. The significance of this from a tax standpoint will be developed in Part 2. These differences should be kept in mind as this revealing story unfolds.

Because the basic division of the product is between land title holders on the one hand, and labor and capital owners on the other, there are only TWO BASIC SOURCES of public revenue. One source is called RENT-of-land.<sup>1</sup> The other is income earned by individual Human Effort in two forms: One is wages and the other is interest-wages.<sup>2</sup>

### The Great Tax Decision—Which Source Should We Use?

Economic income comes to individuals only as RENT-of-land or as wages and interest-wages. For this reason the only *basic* Public Revenue decision we need make, as citizens, is whether our governments—Federal, State and Local—should collect public income from (1) the publicly created RENT-of-land source—NATURAL PUBLIC REVENUE, or (2) from the privately and individually created source of wages and interest-wages—NATURAL PRIVATE INCOME. With a few economic facts in mind our people can decide this vital public revenue question; what is more, they can decide it *justly*, and as to principle, *for all time*.

(1) RENT-of-land is the *social fund* of people; it is NATURAL PUBLIC REVENUE. Students of the social and economic conditions which cause RENT-of-land to attach to land areas as a quality element, such as Adam Smith, John Stuart Mill, David Ricardo and others, agree that RENT-of-land is *publicly created*. They agree that nothing the title holder of land does or can do, merely as a title-holder, causes this special and peculiar fund to arise in civilized society. The community of people, by their presence, daily generate this RENT-of-land fund. The title-holder, or his heirs, for unlimited generations, needs merely to sit back and collect this income.

Competition for land use measures off the amount of money or produce that can be collected by title holders of land, or by the people as a whole, through government, their servant and agent. And it is obvious that only what is left of the total product, AFTER RENT-of-land income is diverted to the title holder of land, or to the people through government, can be distributed as wages and interest-wages to individual workers and creators of capital-wealth. One wonders why workers, both as management-labor and in other jobs, and capital owners fight, sometimes savagely, over what *is left* of the product, all of which they produce. By the public collection of the natural public income of governments, RENT-of-land, this fund is, in real effect, added to wages and interest-wages in the form of public services it will buy. In addition, because of further and more important results of the process, more abundant productions are brought forth with the same use of labor and capital-wealth. Bargaining for additional satisfactions can still take place but will do so under softer, more gentle and more scientific (natural and just) circumstances.

(2) The economic interest of all who labor or provide capital-wealth is common and NOT one of opposition. Both wages and interest-wages are the result of labor. A demand for labor is a demand for capital-wealth, and vice versa. When factories (capital-wealth) are in operation, men (labor) are at work; when ships, trains and trucks—all capital-wealth—are moving, men (labor) are aboard. When *real* wages tend upward *real* interest-wages also tend upward. All of which adds up to the fact that one great area in which Labor, Management-labor and Capital Owners can work together is in taxation, working to secure a tax structure which is for and not against their BEST COMMON INTERESTS.

## PART II

### The Great American Tax Shift

We have identified and segregated the TWO BASIC SOURCES of Public Revenue, (1) RENT-of-land, and (2) the wage and interest-wage rewards of individual Human Effort. Now it is necessary to show that a great TAX SHIFT has taken place and continues to take place in the United States; and, later, whether this tax shift is GOOD or BAD for the people.

### Some Statistics on The Great American Tax Shift

The following figures\* show the changing percentage pattern—The Great American Tax Shift—of total taxes collected by each government—Federal, State and Local.

|                              | 1890  | 1939  | 1954  |
|------------------------------|-------|-------|-------|
| Federal .....                | 42.1  | 39.3  | 74.6  |
| State .....                  | 11.1  | 28.2  | 13.6  |
| Local .....                  | 46.8  | 32.6  | 11.8  |
|                              | 100.0 | 100.1 | 100.0 |
|                              | 1890  | 1939  | 1954  |
| Combined Federal-State ..... | 53.2  | 67.5  | 88.2  |
| Local .....                  | 46.8  | 32.6  | 11.8  |
| (See note below)             | 100.0 | 100.1 | 100.0 |

\* Unless otherwise stated figures are from "Facts and Figures of Government Finance, 1954-55", The Tax Foundation, Rockefeller Plaza, New York, N. Y. (Details will not necessarily add to totals because of rounding.)

(NOTE) The total Federal and State percentages of the total taxes collected are combined. All the income of the FEDERAL government and much of the income of State governments—in some cases practically all—is derived *largely* from non-property taxes. This combination of Federal and State percentage figures makes it easy to contrast, in a general but effective way, the percentage of their share of taxes collected largely by non-property taxes, with that of the LOCAL GOVERNMENTS which use, in greatest part, property taxes.

Keep in mind that some fifty per cent of our people own no titles to land and have no personal income as RENT-of-land; also keep in mind that of the, roughly, some fifty per cent of the people who do hold title to land a very great majority own home lots or lots for business where any possible RENT-of-land income advantage is a very small percentage of their total income. On the other-hand a very small proportion of title holders of land have either a large percentage or a considerable amount of income as RENT-of-land. Also remember RENT-of-land is included in the price of goods and services where purchased by the user or consumer.

It is easy to see that wages and interest-wages are directly and daily earned by individuals who collect them; such incomes are true private property even if ignored as private property when it comes to state constitutional property tax limitations. RENT-of-land income is never earned by the title holder as such; IT IS EARNED BY THE COMMUNITY, AS A WHOLE, THAT PRODUCES IT. It is a fact that people may purchase the privilege of collecting this publicly-created RENT-of-land income with money earned. But this does not make the flow of RENT-of-land income itself individually earned; in fact what is bought is the title-privilege of collecting and *privately keeping* the community produced RENT-of-land. (Man made laws cannot alter this basic economic and moral fact.)

The following figures give detailed information as to the *trend* of the states of *RENT-of-land source* compared to their use of *wages and interest-wages sources* to meet the costs of government.

| Name of Tax   | Year Data Starts | Per cent | Year Data Ends (*) | Per cent (**) |
|---|------------------|----------|--------------------|---------------|
| PROPERTY TAX (Which now collects some RENT-of-land)     | 1915             | 50.5     | 1954               | 3.4           |
| Severance tax (RENT-of-land type)                       | 1931             | 1.3      | 1954               | 2.8           |
| <i>VS</i> (Primarily wage and interest-wage type taxes) |                  |          |                    |               |
| General Sales, Use, or Gross Receipts                   | 1931             | .4       | 1954               | 22.9          |
| Motor Vehicle Fuel Sales                                | 1922             | 1.4      | 1954               | 20.1          |
| Tobacco Products Sales                                  | 1930             | .6       | 1954               | 4.2           |
| Alcoholic Beverage Sales and Licenses                   | 1932             | .1       | 1954               | 4.9           |
| Motor Vehicle and Operators' Licenses                   | 1915             | 4.1      | 1954               | 9.9           |
| Individual Income                                       | 1931             | 4.2      | 1954               | 9.1           |
| Corporate Income  | 1931             | 5.6      | 1954               | 7.0           |
| Death & Gift  | 1915             | 7.9      | 1954               | 2.2           |
| Other   | 1915             | 31.2     | 1954               | 13.5          |

(\*) All 1954 data preliminary. (\*\*) Note severe decline in the use of the property tax.

### Shift of the Tax Source — State of Missouri

#### Percentage of the Tax Revenue Produced by the Property Tax

|         |   |
|---------|---|
| 1873-74 | 97.7%   |
|         | (From Bulletin #21, Governmental Research Institute)    |
| 1939-40 | 6.0%  |
|         | (From Bulletin #21, Governmental Research Institute)    |
| 1950-51 | 1.1%  |
|         | (From Report, Department of Revenue, State of Missouri) |

### Trend To Non Property Taxes In Cities

In the 1951 Supplement to "Where Cities Get Their Money" published by the Municipal Finance Officers Association, 1313 E. 60th St., Chicago 37, Illinois, we read:

"In an effort to solve their financial problems, an increasing number of municipalities have been forced to turn to non-property taxes for at least a partial solution.\* While this trend started as early as 1900, changes have been accelerated during the past ten years, with notable alterations in the dependency of cities upon the property tax. The following table illustrates both the changes that have occurred in the revenue structure of municipalities and in the increase in revenues from 1943 to 1949. It is compiled by the United States Bureau of the Census."

### MUNICIPAL REVENUE SOURCES

#### Cities Having 1940 Populations of Over 25,000 1942 and 1949

|                                | Percent Distribution |      | Percent Increase   |
|--------------------------------|----------------------|------|--------------------|
|                                | 1949                 | 1942 | —from 1942 to 1949 |
| TOTAL GENERAL REVENUE          | 100                  | 100  | 55.4               |
| Taxes, total                   | 69.2                 | 74.6 | 44.1               |
| Property                       | 53.4                 | 64.9 | 27.8               |
| Sales and Gross Receipts       | 9.7                  | 4.7  | 223.2              |
| Licenses and Other             | 6.1                  | 5.0  | 87.9               |
| Aid received from other govts  | 20.2                 | 17.2 | 82.6               |
| From state governments only    | 18.9                 | 16.1 | 82.4               |
| Charges and Miscellaneous      | 10.6                 | 8.2  | 100.4              |
| Charges for current services   | 5.4                  | 3.9  | —                  |
| Contributions from enterprises | 1.7                  | 4.3  | —                  |

"Property taxes increased in dollar volume during this period, but the increase in other revenue sources, particularly sales and gross receipts taxes, state aids, service and other types of taxes, was so great dollarwise that the proportionate amount received from the property tax was reduced percentagewise."

(Note: It must be remembered that money given as "grants in aid" is raised entirely by the Federal government and largely by MOST state governments by non-property taxes.)

### A CITY ILLUSTRATION

In Bulletin No. 49, July 16, 1946, "Dollars and Sense in Government", the Governmental Research Institute of St. Louis, Missouri said in an article on "What Has Happened To City Revenues": Receipts from the property tax still constitute nearly one-half of the City's income. However, the declining importance of this tax as a source of municipal revenue is shown by the fact that it accounted for 65% of the total in the fiscal year of 1929-30 and 49% in 1945-46." In 1953-54 the receipts from the property tax had declined to approximately 38 per cent. With increasing efficiency of collection of the "earnings tax"—the *third* direct tax paid on incomes by citizens of Saint Louis—the per cent of income raised by property taxes (especially land value taxes) can be expected to decline even further.

It must be kept in mind, as will be explained later (See footnote 3, Page 7) that while a tax levied on the value of land is PAID fully by the title holder of land and is a direct tax that CANNOT be recovered (shifted), a tax on improvements used in business and industry for income MUST, in principle, be shifted in higher prices, largely to people whose income is wages or interest-wages. Taxes on home property, both land and improvements, are direct taxes on the owner and they fall largely on wages and interest-wages. People should be educated in economic science or in social studies involving taxation to see who makes and who loses money by The Great American Tax Shift. They should know the difference—but even most highly educated people do not—between

(\*) This in no way increases the income that can be used; it only shifts the source and in the end, it is a wrong-way shift that curtails production.

untaxing improvements and untaxing the value of land. Perhaps one should be untaxed altogether while the other should be taxed as fully as practical. To tax improvements and the value of land at the SAME RATE is a symbol of the economic science ignorance of the American people. If they knew the truth this could not happen since different rates on these different things, properly set, would produce more good and less bad results.

### THE ECONOMIC SCIENCE MEANING OF THE FIGURES WHICH SHOW THE GREAT AMERICAN TAX SHIFT

Today the Federal and State governments pay the largest part of the total cost of all government in the United States. The trend of Federal, State and even Local governments from the use of property, especially land value taxation, to non-property taxes is the vital fact to consider.

By economic analysis these *trends* show that the cost of supporting government has been *largely shifted* from those individuals who collect important amounts of (or large proportions of) their income as RENT-of-land (including natural resource royalties), or who are speculating in land for the future enjoyment of such income. These figures show that this burden has been *largely shifted* to those individuals who live from daily earned income of wages and interest-wages. They reveal how completely the make-up of the TAX-STRUCTURE is stacked against the economic welfare of all who work and who own true economic (man made) capital-wealth. They show that the leaders of commerce and industry have failed to protect their own greatest source of personal income and security, the consumer, from WRONG SOURCE and destructive taxation. Leaders of LABOR, organized labor especially, who battle endlessly to get more dollars in pay-check and pay-envelopes, nevertheless also fail to protect the wage incomes of their members from the evils of this same WRONG SOURCE taxation, although many of them make quite a "to-do" about taxes.

#### How The Tax Shift Was Put Over

These two strategic steps produced The Great American Tax Shift—seemingly under some long range planned program. (1) Local governments were in large part freed of the cost of supporting schools, roads, public aid to the poor, the sick, the blind and the aged. These costs were then *largely shifted* to the Federal and State governments. (2) *At the same time* laws were passed giving Federal and State governments *new non-property* taxes or which increased the rates of existing *non-property* taxes.

The TAX SHIFT statistics given above show how successfully the program, planned as so many think, was carried out. Income taxes (Federal, State and Local), wages, sales, use, gasoline and other fuels, excise, tobacco, sales, luxury, entertainment and similar non-property taxes, which shift the greater part of government costs from the publicly produced RENT-of-land to individually produced wages and interest-wages, appeared everywhere. These increased direct and hidden consumer taxes accomplished the shift.

Many of these taxes, you will recall, began as temporary emergency taxes only. Both "emergency" and "temporary" taxes continue. What caused all this? Who

wanted it to happen? Who stood to profit—those who live from earned wages and from earned interest-wages? Or those who live from the publicly created RENT-of-land incomes? That is, those who live by RENTing out to others the surface of the earth; by collecting "royalty" because natural forests, crude chemicals and oils, gold, silver, iron, lead, bauxite, and other mineral ores or natural matter were stored up in or on the earth; because fish inhabit the waters, wild animals the forests, and fowl and game the sky.

It is, of course, obvious that the title holders to income-type land, or their economic advisors, knew that the only way they could secure NET income from mere investment in the privilege of holding title to land was to limit and decrease direct taxes on LAND VALUE, or on RENT-of-land. Having this keen, direct and immediate special interest in how taxes are made to fall on people, through control of tax law-making and the tax-structure, an interest which men of business, industry and labor seem neither to have nor to understand, is it any wonder they have made the people's problem of public revenue *their chief economic concern*? Is it any wonder, too, that they followed the advice of their economic advisors and, over the years, worked to shift the tax burden to those who live from wages, and interest-wages, and who are asleep so far as their own and the people's economic welfare in the matter of public revenue is concerned?

It is also obvious that only holders of MUCH VALUABLE LAND profit from this shift that has been so well engineered. People with much RENT-of-land income SAVE more dollars in the decreased RENT-of-land taxes they pay, and in taxes *they would otherwise pay* on their land speculation situations—oil, mineral, timbers, etc. included, than they pay in the increased sales, gasoline, excise and such non-property (non land value) taxes. On the other hand the vast majority of property holders, owners of little business, home and apartment income property, and their personally owned and used house lots, pay out more in these new and increased non-property taxes, taxes allegedly designed to "spread the tax base" and to give "tax relief for (land) real estate", than they save in tax reductions on their own property in land value or on their improvements. People who own no titles to land take a severe tax-beating from the shift although they have the votes, if not the "educated" sense, to protect their private property in wages and in interest-wages from this destructive economic slaughter, and to reverse this anti-business, anti-industry and anti-labor tax shift—The Great American Tax Shift.

### PART III

#### THE EFFECTS OF THE GREAT AMERICAN TAX SHIFT

##### What Do We Want To "Cause"?

We live in a "cause and effect" world. Just what kind of economic and social results do we want to *cause*? We can take actions (pass tax laws) to make it *easier* for Labor and Capital owners to secure access to land, and to secure the products and services of their joint efforts for private and public use. If we do this we can eliminate or *greatly reduce* the variety and the intensity of social and economic problems which annoy us. On the other hand, we can take actions (pass laws) to make it *harder* for Labor and Capital owners to secure access to land

9. It provides an unsanitary economic environment in which such ideologies as Fascism, Socialism and Communism can flourish.

10. It prevents abundant production of natural resources and finished products, and increasing world trade which would lead people to peace and prosperity.

11. It makes it harder to prepare for war if and when this is unavoidable.

12. It prevents the United States from becoming a great example of social, moral and economic justice in the sharing of the abundance that our FREE private enterprise system of economy could produce if freed of its *tax chains*.

13. It has made it virtually impossible for our State Department and other representatives of our Country to give sound economic advice to the land-exploited people in former and in still existing colonial areas since our basic economic sins are the same.

### **Because Government Gives Away Its Natural Public Revenue Government Must Tax Natural Private Incomes**

The Federal Government has used property (land value) taxes in 1798, 1813, 1815 and in 1861, as did all State governments in large measure until recent years. The Federal and State governments are forbidden by our bad laws to levy property taxes to any large extent. However both Federal and State governments continue to pour billions upon billions of non-property raised tax dollars into school support and school construction, into road building and maintenance, into dams, irrigation and power installations, into river and harbor improvements, into flood control, into airports, into soil rebuilding and conservation, and into similar developments. If these uses of tax-money are worthwhile, as so many seem to be, they must inevitably increase the RENT-of-land to the private profit of private title holders of land in the area benefited.<sup>5</sup> Privileged title holders can get a higher selling price (capitalized RENT-of-land) as a direct result. Instead these unearned (by the title holder) profits in land should help pay the cost of these publicly created improvements. How long will an intelligent, if economically uninformed people, tolerate such continuing economic and social injustice? How long will such a people permit the use of their own government processes and governmental tax powers to profit the few who have special land and

tax interests, at the expense of a large majority of people? Has the spirit of "equal rights to all and special privileges to none" no meaning for Americans today?

### **Lead Us Not Into Temptation**

TAXATION touches the lives of all people every day. It is the most persistent, universal and positive cause of public and private graft and corruption. Our tax structure (tax laws), as it now stands — a jerry-built impossible monstrosity of a thing — leads millions upon millions of individuals, daily and yearly, into *needless* temptation. It tempts those who pay taxes as well as those who collect them. There is unending temptation to avoid just assessments and not to pay fully the taxes known to be due; temptation to divert public improvements to favor certain title holders of land; temptation to reduce land value taxes *after* money has been spent by the people to increase land values.

This tendency of our tax system to encourage graft and corruption can be greatly modified, if not entirely eliminated. We need only to *reverse* the wrong-way trend of The Great American Tax Shift; to do this we must stop drawing on the earned income source, the WAGE REWARDS of human effort, and draw more directly and fully on the not privately earned source, the RENT-of-land.

### **Tax Collecting Not the Function of Industry and Business**

We can, and should have, UNTAXED PRODUCTION in a Free Private Enterprise democracy. Men of business and industry should not be imposed on and forced to be tax collectors. If, to reduce the cost of Public Revenue collection, business and industry are used as tax collectors — an ancient evil — the expense of this should be borne as a direct government cost. Cost of collection should be paid out of government income. This cost of collection should not be directly shifted to the consumer in higher prices. These indirect and multiple ways, mis-called sources of taxes, of getting tax money are devices of kings, dictators and other exploiters of the people. Why do we use them in the United States? Indirect, deceiving and dishonest taxation has no justifiable place in a true free private enterprise and democratic economy. Simplicity, a single tax or one (basic) SOURCE way of collecting revenue, is not only the most economical, it is also the deadly enemy of graft and corruption — *WHEN RENT-of-land is that single source*.

(5) Who pays? Who benefits? Ask these questions when you consider such projects as the Tennessee Valley Authority, or the Pick-Sloan Plan, or a Missouri Valley Authority. A simple common sense analysis reveals the problem, as it relates to TAXATION, and the answer as well.

The Tennessee Valley Authority provided special advantages to people and industries in a given area. Among these were low-priced power and shipping. Capital owners and Labor, attracted by higher rewards, moved their Capital and their labor-power into the area so much benefited at taxpayers expense. In time, according to economic principles, this in-pouring of Capital and Labor reduces the special advantages and rewards held by early comers. Rewards to Capital owners and to Labor tend to average down and to equal those of outside areas. But the great advantages of such projects give special rewards to land title holders in the area benefited by the public improvement which is paid for by taxpayers everywhere. Peak values of LAND concentrate in areas of special and strategic commercial and industrial use. Increased RENT-of-land and its capitalized value in the market place become permanent. Title holders to land, as title holders

only, are given a subsidy for being in the way or for getting in the way of land users. (The principle applies whether title holders use the land themselves or permit others to use it). This same principle of who benefits financially from public improvements is of universal application to all worthwhile public improvements. It applies to "lifting farmers out of the mud" by building and maintaining rural roads with gasoline tax money. The farmer increases the price of HIS LAND, not when the road is built, but on the very prospect of its being built. The principle applies to the building of churches, business centers, private schools and all worthwhile individual and group activities.

In a very much *under*-publicized statement, compared with the wide uses made of other selections of his writings, Adam Smith, justly famous economist and moral philosopher, and author of *The Wealth of Nations* (1776), in Book I, Chap. XI, in *Rent of Land*; Conclusion, says:

"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 other people."

### What We Can and Should Do About It

The ideal Public Revenue policy for a truly free Private Enterprise economy is revealed and dictated to us by the "cause and effect" principles learned in any good course in fundamental economics. *It is to collect, as fully as is practical, the publicly created RENT-of-land fund, and as far as possible, to abolish all other separately imposed taxes.*<sup>6</sup>

The correct Public Revenue policy will not alter in any way what title to land now conveys to individuals (or other holders), namely, private and exclusive use of land. It places no restrictions on the amount of land any one title holder may privately possess though it does discourage overholding, improper use and underdevelopment and land speculation. It will in no way change our custom of land title inheritance. It will make possible the supreme economic blessings of a free people — untaxed products, untaxed exchanges and untaxed consumer ownership of man-made property.

RENT-of-land should be collected by direct annual, quarterly or monthly payments. Statements of the amounts due should be sent each land title holder for the land area and its natural resource content now being provided with public services by the people and their government. It is this service of the people that gives land a value — its RENT. This should be paid for by those directly privileged to have use of the land since they are in the natural position to collect RENT-of-land either by the use of the land or from others they permit to use it. Such payments are for "benefits received". They are not a tax in the proper meaning of the term.

If RENT-of-land failed to provide enough income for the demands of the people *on their governments*, the essential and the foolish, then a direct tax on wages and interest-wages incomes could be used to supplement the people's natural source of revenue — the publicly created

RENT-of-land fund. This should be collected in the most direct and efficient way.<sup>7</sup>

There is only so much production from which government and individuals can draw at any one time. We get neither increased production nor more NET income for government use by having *many ways* to draw from but TWO basic Public Revenue sources. We increase costs, confusion, temptation to dishonesty and destroy democracy by our WRONG taxation schemes. We could operate at far greater efficiency with a single agency or greatly reduced number of agencies of Public Revenue collection. With sensible and natural cooperation of our governments — Local, State and Federal — allocation of Public Revenue, based on annual budgets, could be easily made.

### THE PUBLIC REVENUE EDUCATION COUNCIL

The Public Revenue Education Council has been created by people who have a great faith that the problem of income for government can be justly and permanently solved. It seeks to encourage citizens to investigate the solution of this problem through study and understanding of the real truths of the science of economics. For these truths can tell us — in the language of "cause and effect" — *what to do and what not to do*. They can tell us how to secure vastly increased production (with the same Labor-Capital owner effort) and *justice* in its distribution (sharing). And *these truths* can guide us as a people to the peace, the prosperity and the security (individually produced) we sincerely long for.

The Public Revenue Education Council is a non-profit, non-political and non-sectarian group. Its purpose is described in more detail in Article Two of its By-laws which follows:

"The purpose of this Council shall be — to aid in a more complete achievement of the right to "Life, Liberty

(6) An amazing and hopeful trend is now moving towards applying different rates of taxation on real estate improvements placed in or on land and on man-made products and services, as compared to taxes on land, "real estate" furnished by nature.

Outstanding examples are:

Cities of Pittsburgh and Scranton, Pennsylvania, have rates on improvements one-half the rate on land values. Legislation, passed in 1951 — by the Senate 50-0, and by the House 184-1, makes it possible for Pennsylvania cities of the Third Class (47 cities from 7 to 125,000 population) to apply different rates on improvements and on land values.

Some 120 Irrigation Districts in California have an exclusive land value tax for government purpose.

Tideland and other oil royalties and rents on land paid to government or to Schools (as in Nebraska) are examples of land value taxation, or collecting RENT-of-land for public use.

Alberta, Canada, is a model state in securing for all the people their God-given rights to resources while, at the same time, encouraging full private use (by such concerns as the Standard Oil of New Jersey) and most efficient development. Royalties (RENT-of-land) are from 6½ to 16 per cent and are collected by the province and used to meet government costs.

In Australia many states and municipalities have adopted land value taxation in varying degrees. In an article, "A Dilemma of Contemporary Keynesism", in the April 1951 issue of The American Journal of Economics and Sociology, Professor Harry Gunnison Brown, University of Missouri economist, said — in reference to the Australian use of land value taxation:

"A comparative study of areas in Australia where land values are taxed rather than other property, appears to indicate that the amount of good land held out of use is definitely less in the first, that the amount of buildings is greater in proportion to available land, that the number of residences constructed is greater per

100 marriages, that the income of persons deriving their income wholly from labor averages higher, that the movement of population is away from other jurisdictions and into land value jurisdictions, etc." (Also see Professor Brown's article, "The Challenge of Australian Tax Policy", July 1949 issue of the same Journal.)

Denmark, where over 95 per cent of the farmers own the land they work, has a separate national land value tax. Local governments of that country also apply land value taxes regardless of improvements. New South Wales, Queensland, Victoria, Transvaal, many Canadian cities, towns and rural areas, either have different rates on land and improvement values or use land value exclusively as a tax source. New Zealand, according to the Christian Science Monitor, Nov. 17, 1950, is moving more and more towards exclusive land value taxation for Local Government purposes. Given a choice of three systems, 75 per cent of some 230 elections favored "single tax" or exclusive land value source of Public Revenue.

(7) The question whether this RENT-of-land fund will provide enough for support of governments — Federal, State and Local — is logical and is often asked. The question is strictly secondary in importance to another — whether or not what RENT-of-land exists should be used by government before taxing Wages and Interest. If RENT-of-land will not provide for government costs, reasonable or otherwise, we can do but one thing, tax individual incomes of wages and interest. If we spill over in our spending, and feel forced to tax wages and interest — wages, then this question arises: Is it best to tax bread, butter, shoes and to use non-property taxes such as sales, gasoline, excise and the like, to draw wages and interest-wages income to governments, or is it better to go direct to the individual citizen and demand part of his or her income by a direct tax? Which will induce economy and stop wasteful projects? Which will make people more tax conscious? Which will induce more public spirited men and women to hold public offices?



and the Pursuit of Happiness" as is guaranteed in the Constitution of the United States of America by disseminating information regarding, 1) the collection and expenditure of public revenue, 2) means for eliminating artificial obstructions to production of wealth and services, and 3) the just distribution of the produce of Labor and Capital."

No politics or ideological "Ism" is involved in the program of the Public Revenue Education Council unless the SCIENCE of Economics can be branded or smeared as an "Ism." And are we to suppose that the SCIENTIFIC METHOD, so highly praised as practical in so many of man's developments, will not work in this area of human experience in getting a living? Why suppose that the evolutionary, gardening process of eliminating the *specific* wrongs and cultivating and protecting the PROVEN GOOD will not work? Have we no choice but to engage in bloody war against Marxism? Wars and Marxist revolutionary doctrines and techniques guarantee change, but not correct change. But evolution — scientific selection of specific reforms based on scientific analysis — guarantees the finest possible selection of change. This process has always worked well in solving man's prob-

lems. It is the most certain method. It will work for us in our present miserable situation.

If you will make your name available to the Public Revenue Education Council you will be invited to participate in studies of basic economic nature, in panel and in conference-type meetings through which you can arrive at a truthful, common-sense and common-welfare solution of our Public Revenue and other problems which flow from WRONG SOURCE TAXATION. Not to solve these problems means our destruction, or continued serious handicap, as a free people. Also, we will gladly recommend books, free classroom and correspondence courses which give a better understanding of the economics of Public Revenue.

Membership is open to men and women who are in sympathy with the economic and moral tenets of the Council and who are accepted by the Board of Directors. By its By-laws and Charter the Council is limited to educational activities that relate to Public Revenue and that are deemed appropriate by the Board of Directors. Contributions are welcome from those who desire to support the Council's educational objectives without becoming members.

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