

Government Without Taxation

By OTTO CULLMAN

WHEN ROBINSON CRUSOE was shipwrecked on his lonely island there was no government to look after his welfare or assure his social security, and there was neither industry nor machinery to provide him with the means of employment. But Crusoe utilized to the full the water, fish, plants, fruits and animals that his tropical island afforded. Opportunity to feed and clothe himself was there.

Opportunities for employment, similar to those which Crusoe encountered on his island, can be available to the soldiers returning to the land—for which they were willing to sacrifice their lives—if government were to function on its own earnings and cease the baleful practice of confiscating, by means of taxation, the fruits of the labor of its citizens.

Natural resources available for production, whether of an island inhabited only by one person or of a densely populated area, are the sole sources of employment. But when legal statutes favoring the few bar access

of labor and capital to the sources of employment, there is unemployment.

We haven't run out of land. The land that provided employment for the pilgrims is still here, and will be here when the soldiers return. When we have perfected the means of prying title-holders loose from the privilege of monopolizing the earth, and charging others for its use, there will be so much employment that the job will look for the man, not the man for the job. With access to the sources of employment—natural resources—open to all, the future of the returning soldiers would be free from want, and nightmares of future depressions would disappear. Freedom of opportunity can be achieved if the facilities and services provided by the government are paid directly by the title-holders of land.

Let us analyze why there is danger of postwar unemployment, why there need not be, and what you and I and Government can do about it.

What is government? A government of free men is an association of citizens organized for the purpose of providing facilities, services and other advantages which such men, individually, cannot provide.

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Locally, such services comprise highways, streets, bridges and tunnels for convenient movement from one held piece of land to another. But the government does more than this: It provides public schools, health and fire departments, police protection and courts to adjudicate differences of its citizens.

Originally, the federal government was limited to a division of powers among the Executive, the Congress and the Supreme Court, in order that the various states and local areas should enjoy cohesion and representation in issues of national and international importance. In the beginning, the government functioned through a federal post office, an army and navy, and a few bureaus to handle matters of national import, instruments granted by acts of Congress. In the course of time, however, vested privileges were granted by law, and to offset these privileges, the federal government took on the semblance of a Welfare State.

VOLMATIC REVENUE

Today local and federal governments derive their revenues in part from their own earnings and in part from the earnings of labor and capital. As a consequence there is political confusion and economic imbalance. Under these conditions, in times of crisis, such governments tend to turn to civil or military dictatorships, and a united democracy in behalf of national interest is impossible.

The term "Volmatic Revenue," is

derived from two words—voluntary and automatic. The price citizens pay for facilities, services and other advantages of government is commonly designated as "rent," "ground rent," "land rent," and "economic rent"—terms which are confusing and incorrect. For this reason, the term, Volmatic Revenue, has been adopted as better suited for the purpose intended. A revenue program of this type would result in the following improved conditions:

- 1 Householders and business establishments would voluntarily pay government its rightfully earned revenues, in proportion to government services, through those having title to the land.

- 2 All forms of taxes, including the income tax, would be eliminated.

- 3 The earnings of labor and the legitimate profits of business would not suffer confiscation.

- 4 The government would be vested in the people, and control of government expenditures would be in the hands of the people.

- 5 Unnecessary government employees, pay-rollers and bureaucrats would be eliminated.

- 6 Graft in politics would be drastically reduced.

- 7 Unimproved building sites, mineral lands, forests and waterways would be open to labor and capital for development.

- 8 Slum areas would be abolished, and the improvement of property stimulated.

- 9 Unlimited and permanent opportunities for business and labor

would be available, with complete freedom of enterprise and healthy competition.

10 Involuntary unemployment would be permanently done away with.

Such conclusive statements must be substantiated. But the analogy is clear. Labor receives wages for its efforts. Capital receives interest for its services. Government, too, should receive payment for its services, but only on the basis of the service it renders.

That citizens may be assured unmolested use of government facilities at sites to which they hold title, the government maintains law and order, administered by means of courts, police departments, the army, navy and air forces. It is this maintenance of law and order that protects producers in the use of natural resources and makes possible the production and distribution of goods and service, or what we call wealth.

To finance the needs of Government, so that law and order can be maintained and capital and labor enabled to operate to the fullest extent, government must be compensated for its services in Volmatic Revenue. Volmatic Revenue is payment for facilities, services and other advantages provided and made available to the people by government, and should not be confused with "taxes," because taxes are a form of confiscation of income.

A BASIC REFORM

Financing Government with Volmatic

Revenue, which is paid voluntarily and arises automatically, would eliminate many of the present abuses practiced by Government. For as government services and facilities increase, Volmatic Revenue would increase. If the services are decreased, Volmatic Revenue is also lowered. Such a program of financing establishes equal rights and terms to the use of all natural resources such as gas, coal, iron, copper, all other mineral deposits, water, water-power rights, forests, agricultural and urban lands.

Gas and electric appliances are among the greatest material blessings enjoyed by man. But marvelous and useful as are these inventions, they have in themselves no value other than the materials from which they are constructed. It is *gas and electric service* that gives them utility. Deprived of these services, the gas range and electric motor are useless.

Land, regardless of how well situated, or whether one tract has advantages over another in fertility or other natural qualities, has of itself no utility in an exchange economy.

It is facilities, services, and other advantages of government that give land its usefulness where people produce and exchange goods. Therefore, it is these facilities or services, not the use to which the land is put, that determine the rate of Volmatic Revenue for any location.

Establishing an equitable rate for the use of facilities, services and other advantages provided and made available by the government is by no means

a complicated process, nor a matter of guesswork. Once the government is financed with Volmatic Revenue, equitable rates would automatically determine themselves. So true is this that should the Rate Administration attempt to fix an arbitrary rate, it would encounter insurmountable obstacles—as can be shown.

Should rates as established in any location prove *higher* than the value of the facilities, services, and other advantages provided by the government, citizens would be reluctant to accept them. People would not move into the area, and a gradual diminishing of activity in these locations would result. This would necessitate a readjustment of the rates.

Should the established rates prove *too low*, citizens would make this fact known by taking advantage of the opportunity afforded to get government services at less than their market value. The competition for any site where the Volmatic Revenue rate is not equal to the value of the government service would clearly indicate that the rate is too low, and must be increased to enable the government to maintain and finance its standard of facilities and services. Should the rate be increased in excess of the value of the facilities and services, citizens would be slow to accept the rate.

With decreased demand for sites in either urban or rural areas, owners of houses and stores would be obliged to market them at a discount from their true value—either in sales or in rentals to tenants.

However, if rates are fixed too low, demand for locations would increase, making it possible for owners to dispose of improvements at a premium.

The *purchaser* of government facilities, services and other advantages, would be the court of last resort. Regardless of the rates fixed by the Rate Administration, the final decision as to their acceptance would rest with the purchaser.

TAXATION MERRY-GO-ROUND

The federal government now has an indebtedness of almost \$200,000,000,000. Although many of our cities and states have been able to retire much of their indebtedness through imposing wartime taxes, it is time a sound method of financing federal, state and local governments were inaugurated.

Deficit spending may be a necessary concomitant of war, but according to reports seeping out of Washington, such spending is to be continued after the war for the purpose of "creating work." Such profligate spending calls for continuance of high taxation, and all taxation is inflationary.

Government, now clothed with the power to confiscate the property of citizens by the imposition of taxes, has become the people's master, not their servant. The sole function of Government is to preserve the rights of its citizens by keeping inviolate the law of equal freedom, namely: "Each is free to do as he wills so long as he infringes not on the like freedom of

any other man."

The federal government is now annually burdened with the great problem of raising funds and of placating pressure groups that hope to be exempted. The cost in time, for Congress to enact multiple tax laws and for the Revenue Bureau to collect the funds, is prodigious.

In assuming powers beyond the Founding Fathers' concept, the federal government has set up bureaus and commissions for handling the welfare cases of individuals, along with those of agricultural and industrial groups. Such "needs" are a natural outgrowth of our present confiscatory taxation system. If industry were relieved of the ever-menacing threat of federal regulation, control and confiscation of property, it would feel free to expand its sphere of operations to such extent as the postwar world would warrant.

Today, as private enterprise studies its reconversion problems, it knows not which way to turn. Besides the projected payments of excess profits taxes, forced savings taxes, employer unemployment taxes, social security taxes, manufacturers-processing taxes, and other exactions, these enterprises must pay the huge crew of accountants and bookkeepers employed to handle these details.

The secret of the federal government's strangle-hold on citizens and industry is its vested power to raise revenue by the confiscation, through taxation, of private property. It is evident that financing Government with Volmatic Revenue instead of with

taxes will not only confine Government to its sole function—doing for its citizens those things they cannot do for themselves—but *will place Government in the hands of the people, where it belongs.*

It would seem that now is the time for the various units of government in the United States to adopt sound business principles in financing their activities.

Making this important and far-reaching change in our method of raising government revenue presents no legal problem. There is nothing in the Constitution to prohibit it. It means simply that all tax laws would be abolished and all revenue would be raised by voluntary payments of title-holders.

Volmatic Revenue is not a charge against citizens. It is a rate established for the use of facilities and services rendered by government at given locations. Whenever public sentiment demands its adoption, the Volmatic Revenue program can be put into operation without the necessity of Constitutional amendment either by the federal or state governments.

For a full explanation of how Volmatic Revenue would be administered, how its rating would be computed, and how the division of payment between local, state and federal governments would be determined, consult Volmatic Revenue and Postwar Problems, by the author. Folder free on request to Economics Editor, PROGRESS GUIDE.