

The Foundation of Economic Freedom

by Noah D. Alper

Published November, 1978

ROBERT SCHALKENBACH FOUNDATION

50 East 69th Street

New York City, N.Y., 10022

Foreword

In all the years since Henry George died fighting for property tax reform no one has worked longer or harder than Noah D. Alper to create a much better public understanding of the harm today's tragic misapplication of the property tax is doing in our cities, our countryside and to our people.

Soon after his discharge from the Army as a second Lieutenant in the Coast Artillery at Fort Monroe, Virginia at the end of World War I Noah returned to his home city, St. Louis, Missouri. He soon joined an American Legion Post and became acquainted with Erwin Kauffman, a graduate of the School of Agriculture at the University of Missouri. While at this school Erwin learned of the Social and Economic philosophy of Henry George from one of his teachers. In a short time Noah became a Georgist and was on his way to San Francisco, California to work with Judge Jackson H. Ralston of Palo Alto, California, in his effort to establish what is called the single tax in that State. Unfortunately a suit was filed in the Supreme Court which was successful in keeping the measure off of the ballot. Judge Ralston was successful in having the issue brought before the people again and it was defeated although it won some forty percent of the votes. It was during the interim of these two campaigns that Noah started the first class of the Henry George School of Social Science in San Francisco. Some years later he formed the Henry George School of Social Science in St. Louis, Missouri. He is now retired from educational activities.

On the eve of his retirement as President of the Public Revenue Education Council he wrote this condensation of the wisdom his thirty or so years in the forefront of the property tax crusade had taught him.

We believe his words are well worth reading, and well worth pondering by all Americans working for a better future for our land and our people.

Perry Prentice, President
Robert Schalkenbach Foundation

NOAH D. ALPER, President
Public Revenue Education Council
Room 1105 -- 812 Olive Street
St. Louis, Missouri 63101

PREFACE

Free Enterprise is on the defensive, waging a rear guard action while making a forced retreat. Free Enterprisers are losing the war against welfare statism, which is going forward at an increasing pace.

Since free men and women working together in a free society produce far more and distribute it more justly than the populace of any controlled or totalitarian society, why is the world turning to spreading socialism?

The basic cause is a lack of understanding of economic science — its basic factors and principles. This prevents our doing what can and must be done if welfare statism, now worldwide, is to be reversed and eliminated.

This is what this paper is about

NOAH D. ALPER, President
Public Revenue Education Council
Room 1103 — 812 Olive Street
St. Louis, Missouri 63101

INTRODUCTION

The foundation of economic freedom 1

PART I

Why communism lost out 2

PART II

The economic system that generates prosperity .. 5

PART III

The Good Society 18

PART IV

How to deal with communism 21

PART V

The mis-education of students of economics 23

CONCLUSION

The people have the power 31

INTRODUCTION

The Foundation of Economic Freedom

Political freedom cannot endure without economic freedom

The Founding Fathers, whose slogan was "taxation without representation is tyranny" should see what taxation *with* representation is like 200 years later.

Even though the people still have the vote — the final say — in this country, the tax collector is becoming more and more an oppressor.

Political and personal freedoms are disappearing under a maze of laws and regulations. The experience of two centuries makes clear that political freedom and independence cannot endure without economic freedom.

Yet if the political freedoms incorporated in the United States Constitution were joined with economic freedom, this nation could easily outstrip and win over Communism, Socialism and Welfare-Statism.

PART I

Why communism lost out

The strange conversion of Dr. Sun Yat-Sen

On January 27, 1923, Dr. Sun Yat-Sen, founder of the Republic of China, gave the first of a series of weekly lectures, describing socialism as the immediate aim of the Koumingtang, their political party. He spoke as a confirmed Marxist, treating the class struggle as an historical fact. These lectures were to be printed and distributed throughout China as guidelines for the establishment of communism.

"On April 26 he completed his twelfth lecture with an analysis of democracy which left his audience in a strong anti-capitalist mood," according to Maurice Zolotov, author of: *Maurice William and Sun Yat-Sen*.

Suddenly Dr. Sun's schedule was interrupted without explanation. No lecture was given a week later on May 3. No lecture was given two weeks later. Sun had secluded himself, and for the next three months he was studying *The Social Interpretation of History* by Dr. Maurice William.

In August, when he returned to the lecture platform, Dr. Sun shocked his followers by repudiating Marxism in toto, and declaring the materialistic interpretation of history to be a great mistake. He had made a complete about face. He said the capitalist and working classes had common interests. Only when this is fully recognized can China make progress.

Dr. Sun continued: "Look at the actual facts of social progress in the west during the last few decades . . . Here is a reconciliation rather than a conflict of interests between capitalists and workers. Society progresses through adjustments of major economic interests rather than through the clash of interests."

He called for a new orientation on the basis of equality with the Western powers and, by implication, turned his back on Russia. China would walk along a road parallel to the U.S.A.

Sun's lectures developing this line of thought continued from August 1923 until his death from cancer early in 1925, but the significance of his final credo made a deep impression on many, including Chiang Kai-Shek.

Karl Marx's mistake:

Who was this Maurice William, whose writing had such a profound effect on the thinking of China's great leader? An American dentist and former Marxist, he had discovered the errors in the political philosophy of Karl Marx. These became clear as he observed how a free competitive economy succeeds by basing social organization on the satisfaction of consumers' desires.

In the conclusion of *The Social Interpretation of History* he wrote: "Marx believed he had discovered the laws of social evolution. But what he had discovered and described with such infinite detail were not the laws and operation of social evolution, but the manifestations of the effects of the law of social evolution.

"Marx did not deal with causes, but with effects which he mistook for causes.

"Marx did not discover the laws of social evolution. He knew nothing of the laws of social evolution.

"The propelling motive of power behind all social change is the quest for the solution of the problems of existence.

"All social advance has been registered not as a result of conflict of interest at the point of production, but in response to the common interest of the majority of social beings.

"Society advances in response to the economic interests of the majority, as social beings and consumers.

"This majority is usually formed through a combination of the powerful and useful, as against the remnants of the past and the useless of the present."

The story of Dr. William's influence has been told by Maurice Zolotov in his book *Maurice William and Sun Yat-Sen*. He writes: "The social idea, as William showed in 1920, also accounts for the progress that an 'exploited' class experiences in society. The worker makes progress not as a 'worker' (not, that is, by reducing exploitation at the point of production, by reducing the surplus value), but as a consumer — and it is not only to his interest, but to that of all society, including the finance capitalist, that the worker should make progress.

"Marx, on the contrary, saw the condition of the proletariat growing progressively worse, and that only through revolution could he score gains."

Man is not defined by the way he makes his living:

Zolotov also rightfully suggests that "Because the social interpretation of history is so obviously simple, we are liable to accept it quickly, before grasping it thoroughly. Dr. William likes to tell his friends, 'You have not grasped the social idea clearly until you have been able to free yourself from falling into the old mental ruts of thinking in terms of 'worker' and 'boss' or 'farmer' and 'middle class.'

Man is not defined by the way he makes his living, but by the way he lives. As consumers, all groups in society have many more interests in common than those over which they differ."

PART II

The economic system that generates prosperity

The unfinished revolution:

When the people of the thirteen colonies achieved political freedom in 1776, they did not realize that they had not achieved economic freedom. But the one cannot exist without the other, so that 200 years later for some millions of Americans, political freedom has come to mean freedom from a job, freedom from an income, freedom from a place in society.

The consequence is that the people of the United States are losing faith in political freedom, turning away from democracy, failing to go to the polls to vote, and moving increasingly toward socialism and/or communism.

Had economic freedom been achieved at any time during these two centuries, the United States today would be free from burdensome taxation, inflation, unemployment, slums, poverty, "booms and busts," and economic hardship. It would be a nation of free individuals, working in cooperation and enjoying that harmony that marks economic life when it is not distorted by political laws that violate the natural order. It would be a model the rest of the world would be emulating — instead of being looked on as a bastion of capitalistic greed and exploitation.

If this sounds too good to be true, we invite you to consider the facts presented herein and make up your own mind.

Justice in distribution assures maximum production:

It is noteworthy that in the same year — 1776 — Adam Smith published *The Wealth of Nations*. This marked the beginning of the formal study of economics. In that classic, which is still read with admiration, he demonstrated that if individuals are free to pursue their own self interest, they will try to produce what other people want and need — so that the others will buy their products.

In the process of exchanging their products for the products of others, they will be guided to maximize the production of those things most in demand. Thus free enterprise produces the good and services people want.

The free market will tend to achieve this, but free enterprise is more than a free market. Enterprise is free only when people have right of equal access to the land and its natural resources out of which all wealth (products or merchandise) is made. Under these conditions, free enterprise results in each individual receiving the full value of his labor.

The fruits of business and industry and labor are thus distributed justly — to each according to his or her contribution to the whole.

But while the United States has become increasingly affluent, there has been less and less justice in the distribution of wealth because the principles of free enterprise have been continuously and shamefully violated.

Equal opportunity for all; special privileges for none:

In the early days of this country, when good land was to be had for the asking, any able bodied man could support himself and his family. As long as land worth working was available there was real free enterprise. Extremes of wealth and poverty did not exist. There was no welfare system. The only people who had to be supported by charity were the

dependent aged, the sick or handicapped who could not work.

There appeared to be economic freedom. On the surface, the country seemed to be close to the American ideal of "equal opportunity for all; special privileges for none."

Old world laws and traditions:

Unfortunately, however, those early Americans had not thrown off the old-world economic chains. Antiquated laws, based on the divine rights of kings, got embedded in the legal structure of the new world.

The practice of granting special privilege in land began in the old world when kings and rulers issued edicts giving the land to their favorites, their political supporters, and their relatives. The common people were fenced out. They could no longer produce things to exchange for the things they needed.

To gain access to the land they had to have on which to work, and its natural resources they had to work with, they were required to share the product of their labor with the lords of the manor. As a result, the landed gentry did not have to work. They did not have to produce things to exchange. Instead, they simply took from workers all over a bare living.

At first the landholders had to share with the king that which they took from the workers. But over the centuries, as the workers achieved more and more political freedom, the landholders succeeded in shifting the taxes off their landed estates. They got the government to levy taxes on trade and business, on imports and exports, on the crops and the products of those who worked.

The original and natural source of government revenue:

Landholders retained more and more of the income accruing to the land — which was the original and natural source of government revenue. Since the title holders of land, as such, had almost no productive economic function, the monies they withheld constituted unearned income for them. To replace the natural public revenue withheld, the government had to collect as taxes the product of the workers' labor — had to take from the workers their earned income.

Freedom is lost when people are not free to keep what they have produced with their own hands, by their own efforts. This violation of freedom was imported to America from the old world. This has corrupted the operation of the United States economy ever since.

Private title to land is practical and desirable:

Many of the land titles along the east coast of this country on which such unearned incomes are based trace back to land grants made centuries ago by the king of England. Many in the Pacific southwest trace back to grants made by the king of Spain. Others in the Mississippi River basin come down from grants made by the king of France.

Bringing the system of land titles over from the old world would have done no harm — in fact, it would have been a practical way of administering the land — if the economic rent had been collected by the government as its natural revenue.

Such payments — really not taxes but payments for what one gets — are a powerful incentive to landholders to put land to its best and most profitable use or release it for the use of others who will. This stimulates production and economic activity. The natural interaction of producers and

consumers tend to create full employment and abundance and, in time, shorter working hours.

Thus in a sound and healthy economy, the public collection of the rent of land as public revenue motivates production and creates jobs. But when the original and natural source of public revenue, Rent-of-land, is withheld by individuals and huge landholding corporations, the government is forced to levy taxes on business and industry and on labor and consumers. Thus most taxes currently imposed are an impediment to economic activity.

The economic machine gets clogged:

Such taxes amount to penalties which discourage production and commerce. Under the old world system of permitting title holders to retain the economic rent derived from the land, free enterprise and its free markets have been unable to fulfill their function of maximizing production and jobs and of minimizing unemployment and poverty.

The other function of a free economy is to justly distribute wealth and services. When people can freely produce and exchange with each other, wealth gets distributed to each according to his or her contribution to the whole.

But taxes levied on production and exchange divert the flow of wealth from its natural course. As a consequence, workers and business get less than they produce — less than they have earned.

Natural public revenue vs. natural private revenue:

Rent accruing to land is natural public revenue. The product of labor — the rewards of human effort — is natural private revenue.

By choking off the flow of natural public revenue into the public treasury, and thus forcing government to levy taxes on natural private revenue, the economy is distorted and eventually destroyed.

This can be seen taking place in the United States today in the growing extension of Welfare-Statism. In much of the rest of the world, the same causes are plunging nations into communism or socialism.

The law of rent:

By tracing out the results of importing from the old world the practice of permitting title holders to retain the rent of land, we can see clearly what determines rent, wages and interest.

The first settlers on this continent naturally chose the most productive land. They fenced in or claimed as much as they could and made a good living. Perhaps some found rich land that produced \$1,000 a month.

When that land was all taken up, the next wave of settlers moved onto land that would only produce, say, \$900 a month.

This created an opportunity for those who had fenced in \$1,000 a month land to rent it out. The newcomer was offered the choice of working that land at a rent of \$100 a month, or working on virgin land that would net \$900 a month. He earned the same amount either way, so some newcomers rented the land they used.

Soon the land that produced \$900 a month was all taken up. The next wave of population had to settle on land that would produce less, say, \$800 a month.

Now those who owned land producing \$1,000 a month could rent it for \$200; this would leave the renter a net of \$800 for his labor. Since that was all he could earn on land that was available to him free, some of the newcomers rented the good land at that figure.

At this stage, of course, the land grossing \$900 a month could be rented for \$100, since that left the renter just as well off as he would be on free land producing \$800 worth of crops.

Keep in mind that these figures apply not only to agricultural land and crops, but also to timber land, mining land, any land that is valuable because of its productivity. The most valuable land was at crossroads, or where waterways afforded transportation, so that stores could be built and cities grow up.

(We are mindful that the newcomer might prefer to work on land he could own, because of the possibility of speculation — i.e., the day might come when he could rent it to another and receive an unearned income from it — that is, an income without having to work for it. This factor would change the calculation somewhat, but the principle remains the same. To keep the illustration simple and easy to follow, we are disregarding this item.)

As the population grew and people were forced to settle on less and less productive land, the process continued. When the free land that was available would produce only \$200 a month, the first settlers whose land produced \$1,000 a month could then charge rent of \$800.

Those who owned \$900 a month land charged \$700 rent. Those who owned \$800 a month land charged \$600. No matter how productive the land, all that any renter could earn for his labor was \$200 a month — the amount he could produce on land that was available free.

From this simplified historical analysis, we can see how the law of rent operates. It was precisely stated by David Ricardo 150 years ago: *The rent of any piece of land is fixed by the excess of its productivity over that of the poorest land in use.* It follows inevitably that as population increases, landholders get more, while workers and providers of capital get less.

Free people produce the most, and distribute it fairly

When people are free to produce what they believe others need and will buy most readily, they tend to make the most

efficient use of resources to produce the greatest possible return

Furthermore, when people can freely exchange the product of their labor in market places, no one will take less for his services than he can get elsewhere. Each person will receive the full market value of what he produces.

Thus freedom maximizes production and at the same time achieves justice by producing Rent-of-land — natural public revenue — which benefits all.

Taxing economic activity reduces production:

Unfortunately, purely political arrangements thwart such natural working out of economic activity by blocking production, distribution or sharing. When government takes away part of what workers have produced, they have less left with which to purchase products and services from (exchange with) others. The demand for some items is reduced, and employment is reduced. Thus unemployment caused by tax politics of government results.

To this forced unemployment must be added the voluntary idleness of title holders of land, who live off the labor of others by their retention of the rent of land. They, too, are not producing what they could, and this further limits the maximum production which free enterprise would naturally bring about.

Thus political mismanagement of the government's natural source of income — Rent-of-land — reduces the gross national product.

Paying twice for the same thing:

Tax laws further limit production because businessmen, industrialists, merchants, and workers are charged twice for the same thing. First, they have to pay rent for the use of the land they must have to work on and natural resources to

work with. This land would be valueless if it were inaccessible and lacked the various services supplied by government.

When they pay rent, this is what they are playing for — the value given to land by these public services of government and the private services rendered by all the people.

In a true free enterprise society, the landholder would be entitled to withhold enough to reimburse him for his labor, his provision of capital, and his administrative costs in renting the land, collecting its rents, overseeing it, etc. The balance would be remitted to the government to pay for the roads, water, sewers, lights, police, fire protection, and other services provided by the government, all of which adds value to land.

But when and because the landholder withholds the land rent from government, the producers who use the land have to pay a second time for these things in taxes on their wages and earned incomes and taxes hidden in the price of products and services they buy.

Taxes handicap those who supply rental units:

We have been talking about *landholders* who charge others for the use of the earth. These are not the same as landlords who supply rental housing. Those who supply housing are severely handicapped by a tax system that is counter-productive. It increases their taxes when they improve or upgrade their properties. Where they supply tenements and slums, it is not because they prefer to rent shoddy housing, but because the tax system provides incentives (in lower assessments) to let property deteriorate. There are fewer incentives to upgrade it.

Economics is a "put and take" game:

In an exchange economy, people put in their labor, their

training, their experience in producing various products and services. In return, they take out wages, salaries, and often cash bonuses that are rightfully theirs because of having earned them.

But the land speculators and others who collect Rent-of-land did not make the land. The land was there long before they arrived on the scene; it will be there long after they are gone. Nor do they put in the roads and public utilities or the economic pressures of population that give value to land.

They merely take out of the economic game money or goods and services that other people have put in. They have not earned what they take. They have earned nothing.

Recently a group of Illinois landholders leased their land to the Tennessee Valley Authority for mining coal for \$33,000,000. After the coal is removed, the TVA will restore the land for farming or other use.

The St. Louis *Globe-Democrat*, in its issue of July 13, 1977, reported that the Mobil Oil Corporation of New York had bought five parcels of coal land in Illinois for \$47 million, the biggest coal deal in the history of the state.

Of course these landholders did not put the coal into the ground. Nor will they work to mine it. They merely sit in idleness and collect \$33,000,000 and \$47,000,000 which will enable them to take out of the economic game products, goods, and services, travel and entertainment, etc., that others produce by their labor and capital investments.

Profits in land can be made only by imposing unfair taxes on others:

When an author writes a book or play, he has created a literary property. It is his because he produced it. Such production is the basis of all private property. What a person has produced by his own labor is his — to use or sell or trade, or even destroy, as he will.

But land is a God-given, not a man-made factor in

economic life. It has no cost of production; it is not produced by anybody. No one has any right to charge other people for it; yet everyone who produces products or services must have access to the land.

When everyone is free to produce what he thinks others need and want most, competition between producers will assure that all resources are put to their best use at the lowest possible cost. To achieve this efficiency in the use of land and natural resources, they must be available to all on equal terms. The terms are that the income accruing to the land (ground rent) is to be remitted to the government as its primary and possibly its only source of revenue, barring emergencies.

Since the only source of gain in holding land is the rent withheld from the government — the people — land speculators insist that taxes be imposed on man-made products and services and on business (exchange).

Such taxes reduce or prevent the taxing of their land speculatively held vacant or poorly improved. They can profit in no other way. Their political skill and corruption in having taxes shifted from land to products and services is their only means of increasing the net income from the land. This increased income also enables them to obtain higher prices for the land when they sell it.

The profitability of owning land is in direct proportion to the success of landholders in politically shifting taxes off their land and onto the backs of producers and consumers. Their only income is created by taxing other people, thus legally robbing them of their wages and earned interest income on what they have produced by their own effort. This process could well be called economic enslavement.

Government intervention helps land titleholders get rich without working:

The idea that money can be made honestly by charging

others for the use of land is a deceit. The idea that money can be made honestly by holding land out of use while awaiting higher prices is a deceit. Any money made by land speculation is simply taken out of the pockets of others — via the intervention of government — whose tax policies the landholder manages to control directly or indirectly. This money the landholder gives nothing in return for that is of his or her creation. This is robbery without the use of a gun; in fact, it is robbery made possible by law.

Such government intervention on behalf of land speculators takes the form of increasing taxes on gasoline, sales, income, inventories, profits, and other tangible and intangible personal property. It causes higher "real estate taxes" on homes and on buildings used in production and for other purposes.

Billions will be saved:

The tax policies of government — local, state, and national — have been rigged by landholders and land speculators in ways that make both the price of land and the price of products and services far higher than their true cost of production.

By contrast, the great merit of a free market is its constant tendency toward efficiency, i.e., maximum production with minimum cost of labor, capital, and land and its natural resources. To achieve these results, land sites and their natural resource content must be available to all the public at greatly reduced cost which will most certainly follow collection of economic rent for public use.

This will remove the incentive (which is entirely created by unsound tax laws, as we have seen) for speculators to hold land out of productive use. When this profit incentive is gone, speculators will sell land to others who will put it to use at lower rental prices or use it themselves.

The burden of mortgages on land will be lifted:

Taxing land values as fully as practical will lead to another great benefit. Purchasers of land today have to pay prices that are tremendously inflated because of tax policies that permit title holders to pocket the ground rent which belongs to society — belongs to the people whose presence and activities give the land its value.

In buying land today, purchasers usually make a down payment and place a mortgage on the balance, on which they must pay interest until the loan is paid off.

When land is treated rationally so that it is accessible to all on equal terms, billions of dollars now being paid on land mortgages as interest and as payments to retire land debt will be saved. This money will enter the market place as purchasing power and investment, thus creating a demand for the products of labor, and creating employment for those now living on various forms of public welfare or debt.

Mortgage loans will continue to be used — not to pay unearned income to idlers for access to the earth — but to pay for buildings and other improvements which will be erected on the land, and for capital equipment housed in them. The construction and other industries will be encouraged and more workers will move out of welfare lines into jobs. Of course, after proper economics in adjustment of production is achieved, the free market enterprise system will be stabilized at a more constant and higher level of production.

PART III

The good society

Free people decide for themselves:

In *The Wealth of Nations*, Adam Smith observed that all economic activity begins in the wants of people and ends in their satisfaction. If people are to be well served by the economic order, they need to understand how it works.

In dictatorships, rulers and bureaucrats determine what shall be produced and how much, and how it shall be distributed. Government administrators determine who shall work at what and where, and how much each shall receive.

But in a free society, the people decide what they want and how much, and what prices they are willing to pay. Through the varied markets and market places, they share what they produce in a free competitive process. The quantities, qualities, and variety of products and services are determined by the free choice of people as consumers.

To the extent that a society is free, the decisions of the people in countless market places determine what jobs must be filled and what the workers' services are worth. Each individual can choose for himself from among all the different jobs and opportunities that are created by the wants and needs of his fellowmen.

Economic considerations naturally dictate the organ-

ization of the various segments of society: of education, of business and industry, of labor including management labor, of farmers, of bankers and financiers, and of many professional people. These will be organized in efficient units, cooperating with each other in arrangements more complex and ingenious than any government planner or bureaucracy could devise or administer.

This is the fruit of economic freedom. This is the way people naturally cooperate and work together to satisfy each other's needs and wants when the process is not sabotaged by laws granting special privileges or buttressed by unsound tax policies. This, of certainty, leads to The Good Society.

The natural economic order:

When people have equal rights of access to the earth and its natural resources, each will produce what he thinks others want. Their various needs will be supplied by exchanging with each other. When this process of exchange is free from artificial political limitations and restrictions, an intricate network of commerce develops making for widespread and natural cooperation and peaceful competition between the various regions and cultures of the world. This process encourages worldwide associations; it encourages peace, not war.

The concept that people need to be free to produce different things and exchange them with others is embedded in man and in nature. Specialization in production is determined by geography and geology. Some areas produce apples, others dates. Some produce gold, others oil. Some produce timber, others rice or wheat, etc.

Nature has provided such a wide and varied distribution of resources that it is obvious that the need for the free market and its free commerce is determined by the earth itself.

Nature did *not* provide political boundaries, which are often used by governments as impediments to production and exchange. The removal of these impediments will be like removing a tourniquet to let the blood flow freely through the veins. Normal economic health will return.

There is a natural economic order within which people tend to cooperate in a worldwide division of labor. In this natural economic order, poverty and its concomitant ills will tend to disappear.

Freed of artificially created costs, the economy will produce an abundance of products and services and distribute them justly according to each person's contribution. The free market enterprise system will really become the model for the people of the world.

PART IV

How to deal with communism

To contain communism:

The nations of the western world formed NATO to contain communism. However, communism is taking them over from within through increasing reliance on politics and government force. Decisions are made on a political basis which would be better made on an economic basis if business and commerce were freed of an unjust tax system

Shuffling toward communism:

Brilliant intellectuals have done much to educate people in western countries by exposing the dismal results of the fallacies of communism in theory as well as in practice. But in spite of the demonstrated failure of communism to deliver the good life to those who suffer under its domination, the people of the western nations, including the United States, continue shuffling toward communism via welfare statism.

Freedom is being lost and destroyed through the use of the ballot by entirely sincere, peaceful, and often religious people who have embraced a socialistic ideology because they, like a great majority of people called capitalists, do not understand the place of land and its natural resources in economic and social life. They do not understand that the private withholding of Rent-of-land — natural public revenue — by private individuals creates conditions which they want to see eliminated from the world: poverty, injustice, and crime.

The better way:

The effort to stop the triumphant march of socialism/communism in the world by exposing its unhappy results is not working. Nor is the assumption that many current economic practices are a true reflection of capitalism working, either.

The idea of "fighting communism" also suggests ultimate physical confrontation and war. Yet there is a better way. The lack of success of the methods used up to now suggests the perhaps this better way is the only way.

Consider the modern method society uses to fight rats, flies, and mosquitoes. Sanitary measures which prevent the breeding and feeding of such pests are taken. Similarly, it is possible to prevent the growth of communism by eliminating the poverty-breeding economic conditions that cause people to embrace that false doctrine.

It is not the communists in our midst who prevent our economy from achieving its magnificent potential in production and distributing it justly. It is largely the error in the tax system, favored and permitted by otherwise free market-minded people, that creates the conditions which give rise to communism: poverty, slums, rundown housing, mass unemployment, inflation, crushing taxation, and economic injustice.

When we do away with these self-made economic plagues by use of truly scientific economics, the free world will demonstrate how superior the freedom market process really is in supplying the wants and needs of people. Once this is done, communism will die by reason of little or no public support.

PART V

The mis-education of students of economics

Economic science:

There are only two primary factors in economic science. These are land and labor. All wealth, all goods, all the things people want and need are produced by applying labor to land and to resource materials extracted from the land.

Capital is a secondary or derived economic factor. It is wealth that has been made by applying labor to land or natural resources, but which, instead of being consumed, is used to produce more wealth for income or exchange.

Capital may consist of inventories of finished goods waiting to be sold, or the raw materials out of which such goods are made. It may be the machinery and tools which are used to make it, or the factories which house the machinery. It may be the commercial buildings (warehouses and wholesale establishments) in which the inventories are stored and from which retail stores are supplied. In no way can these things be used to exploit people.

Land is different:

But land is different. Land is the only economic factor that can be used to exploit people. The landholder can fence others out, and demand a share of the product of their labor be given him before he will let them work on that land

As we have seen, that share of the product is increased by government or private investment in roads, streets, public utilities, fire and police protection, etc. If this Rent-of-land were collected by government to pay for these services, there would be no exploitation. But when it is withheld by the titleholders of land for their private enrichment, the government then has to levy taxes on privately earned wages and interest incomes to obtain the revenue it must have to operate.

When this is done, some people are being exploited by other people; they are being denied what is justly private property and properly theirs; and when this exploitation becomes extreme, they turn to socialism and communism for relief. If these social ills are to be defeated, this form of exploitation must first be ended.

The unmistakable language of cause and effect:

One can say without qualification that we will continue sinking into the quicksands of socialism/communism until the teachers of economics in schools and colleges come to grips with the fundamental causes of unemployment and poverty and the growth of socialism, or worse, communism.

The persistent increase in such economic problems as inflation and depression, poverty, slums, urban sprawl, bankrupt cities — tells us in the unmistakable language of cause and effect that basic flaws in our legal structure are distorting our entire economic life. It has been doing this since 1776. Only a great supply of "free land" delayed the economic destructiveness we witness today.

Scientific principles are not "made up":

Academic courses in economics, and most self-called free enterprise educational organizations, fail to make clear the conditions which are the prerequisites of a successfully

functioning free market enterprise economy. Models of such economies are not presented in these courses. It is as though economists do not and most free enterprise writers do not recognize what really constitutes a healthy economic order.

Nature had provided the elements and natural laws necessary for fulfilling the economic needs of all people. An adequate economic science — an adequate understanding of the principles of a free market economy — can make the good life possible for all.

Scientific principles in economics are not "made up" by professors. They are discovered by observing the natural sequence of cause and effect, just as the laws of any other science are discovered, by such open-minded inquiry.

Most students never have a chance to learn:

The most serious error in the teaching of economics is in the area of taxation. Most students have little or no understanding of the effect of taxes on the economy. They may have a general idea that taxes restrict and throttle business, but they would be amazed to learn that the collection of one source of income, Rent-of-land, miscalled a tax, has an absolutely opposite effect.

Most students who finish high school or college courses in economics are totally unaware that taxes on the value of land and its natural resource content stimulate the economy. Their textbooks brushed lightly over these matters, if they discussed them at all; and since the students have never been challenged to analyze them, they are unable to give an adequate answer to the most fundamental of economic questions: What is the difference between a tax on land and a tax on man-made products? What are the causes of the difference, and how do the effects differ? Try these questions on the next economics graduate you meet.

Because of the failure of economics courses to distin-

guish between natural public and natural private revenue, most economics students do not even realize that there is a natural way to create full employment and eliminate poverty.

Special interests subvert economic research:

The reason students do not understand economics is that its teaching is riddled with false concepts created for special interests who profit from the exploitation of others. They find it easy to exploit people who are ignorant of scientific economic principles.

These special interests subvert the economic research of our great universities and colleges, which fail to analyze and set forth the basic principles that would enable an economy to operate efficiently.

The misconceptions are deliberately fostered by speculators in land — most banks, real estate dealers, insurance companies, and individuals, too — who want to treat and deal in land as though it were a man-made product; as though it were true wealth and capital.

Sound definitions needed:

The great truths of economics are distorted by definitions used in the great majority of our schools. Many teachers define economics as "the science of allocating scarce resources." However, in a free society the Free Market Enterprise economic system will allocate scarce or plentiful resources as people actuate and direct free market forces of supply and demand.

The impression given by this definition is that men allocate scarce resources. If this thought is accepted, it is only a short step to the idea that government can and should allocate goods and services through price controls, rationing,

and other economic rigging devices. Thus, this definition serves as a trap — a step toward socialism/communism via a welfare state and its system of controls.

This definition, coupled with the existing failure of our schools to teach taxation (public revenue) in a scientific manner, has resulted in federal, state, local governments using taxes as devices for implementing and stimulating economic policy. Tax decisions are not determined simply by the need of government for revenue, nor by the consideration of economic principles and justice. They are determined by organized titleholders of sites and their natural resource content to achieve manipulation of the economic life of our people through political control of government.

Instead of economic gobbledycock:

An adequate study of the science of economics in our schools would lead to the study of natural laws that govern the production and distribution of wealth and services. It would assure us of an economy free from man-designed laws and programs that now interfere with such achievement and a proper sharing of production and the theory that the value of the product and worth of services belongs to their producers. Such a science would begin with recognition of the two primary factors of production: Land and Labor. It would then present Capital as a derived, or secondary, factor. It would make clear the relationship between these factors and how this relationship gives rise to the laws of distribution or sharing; the laws of Rent-of-land, of Wages, and of Interest. It would show that interest arises as an economically legitimate share because of the aid man-provided Capital gives in production. It establishes clearly and certainly that the distribution between these three factors, Land, Labor and Capital, accounts fully for the sharing of the total product of wealth and services.

Profit is an accounting term:

The term profit does not belong in economic science. It is an accounting term, a bookkeeping term. From the standpoint of economic analysis, profit consists of unallocated wages, interest, or Rent-of-land, or a mixture of these. While the allocation of profit to these three categories may not seem easy, economics, itself, is a science of theoretical analysis, and its terms are precise in meaning.

Another fallacy: In business practice, and in many economic textbooks, Management seems to stand in opposition to Labor. In economic analysis, Management is an important type of Labor.

When teaching and practicing economists deal with Management as a separate factor of production, they encourage the false impression that Labor and Management are natural enemies who are in constant conflict. The truth is all Labor competes in the market place where wages of labor are set. This concept disguises the fact that the real conflict is between Labor (including Management) and providers of true capital on one side and landholders on the other. Even Mao discovered this, although he appears to have forgotten it later in his career. In the book *The Long March*, Frank Cannon wrote: "Mao had discovered that in China the basic conflict was between peasantry and landlords, not between factory workers and industrialists."

That was in 1935. Dr. Sun Yat-Sen had discovered the same truth twelve years earlier. He declared that: "The land tax . . . is an infinitely just, reasonable, and equitably distributed tax, and on it we will found our new system. The centuries of heavy irregular taxation for the benefit of the Manchus have shown China the injustice of any other system of taxation."

Other errors in terminology:

We repeat that the term profit is an accounting term; and

that it should not be used in economic analysis. The return to capital is interest — not profit —. Interest arises out of the fact that capital — tools, energy producers and converters, raws materials, machinery — is productive, enabling Labor to create more wealth and services in a given time.

A more serious error on the part of many economists is to consider government as a factor of production, and to treat taxes as its distributive share.

Government does not, at least it should not, produce wealth. Its duty is to maintain law and order, which, if properly achieved, is the environment in which production and distribution can best take place.

Government revenue is raised by taxes. These are not a source of wealth, but serve as pumps. All that such tax pumps can do is to transfer wealth from one of the three sources — ground rent, wages, and interest — to government. The economic and social question is: which should government use or use first? It is economically proper to assert the best source of revenue for use of government is the publicly and socially produced Rent-of-land.

The function of government is the administration of justice:

Because they have not been so taught, most students fail to realize that government is the referee whose function is to see that there is equal opportunity for all and special privileges for none.

When the referee steps into the lineup and begins playing for one team or the other, the entire game is corrupted. Fair play disappears. Economic lift is no longer based on free competition. It becomes a power scramble to grab anything one can get by using government coercion and misdirection for private gain. It perverts a social good — the authority and power which men have accorded to

government to enable it to administer justice — into a tool for robbing others.

If taxes were dealt with in a scientific manner in our schools, the ridiculous idea of many economists that government is or can be treated as a factor in production would never have arisen.

CONCLUSION

The people have the power

This could be:

The Good Society is based on a natural economic order within which the inhabitants of the nations live cooperatively in a worldwide natural network of economic associations and relationships.

It is not necessary for people to suffer from the limited productivity of state controlled economics — communist, socialist, or welfare state.

In a natural economic order where all have equal access to the earth and its natural resources, and where people can freely market or exchange their labor of the products of their labor, economic justice will prevail and each will receive the full value of his or her contribution.

Free people can take care of themselves:

In the good society, free people will enjoy prosperity. They will create a great variety of goods and services. They will live in peace.

One needs only to observe the geography and geology of the world, its wide and varied distribution of people and resources, the lack of natural political boundaries, to realize that a natural economic order is posited in the earth itself.

To complete the unfinished revolution:

As was stated in the introduction, the experience of two hundred years makes clear that political freedom cannot endure without economic freedom.

Although much political freedom has already been lost, the people of the United States still enjoy all they need to establish a natural economic order of freedom and justice.

By freeing ourselves from unfair tax levies on our earned incomes, and by financing our government with its own and proper natural public revenue, the Rent-of-land, we can complete the unfinished revolution our forefathers started in 1776, and won.