

*"Thus, with our tax system economically attuned to the natural and logical factors and principles of economic science, and working with and not against labor and capital providers, we will no longer have the largest, most persistent and shameful 'something-for-nothing' leak-away from producers to non-producers of our national production the world has ever known."*

#### **1200 acres worked vs. 12 acres leased**

RECENTLY I met a farmer from Montana who works 1200 acres of land. He plows his land, plants the seed, cultivates and harvests the crops, and rears, feeds, and protects his live stock. "Isn't this a hard way to get a living?" I asked him. "What other way is there?" he replied.

"Well," I continued, "look at it this way. You work 1200 acres of land. I know of 12 acres, not 1200, in New York City. These are leased to a corporation that "raised" on the land a number of tall buildings of excellent quality known as Radio City. The owner — it could be you or me — collects \$3¼ million a year for granting permission for others and the people to use 12 acres on the surface of the earth. The leasing corporation also pays the tax on the site or location value of the land, and on the buildings as well."

I next asked my farmer friend: "How many farmers like yourself would it take to produce \$3¼ million worth of commodities a year, both grown and reared? He said he did not know but it would take quite a number; and they would have to use a lot of capital in the form of plows, tractors, harvesting machinery, fertilizer, farm buildings, fences, wells and other sources of water for stock and irrigation, ditching and the like.

"Well," I continued, "if you owned and collected the ground rent of these 12 acres you could buy a very large amount of the finest of farm produced commodities and factory made products, as well as assorted services available in our own and in foreign countries. You could establish tax-exempt foundations and through these give buildings with your name on them to churches and schools; build art museums and zoos; help the poor and the blind; and yet you, yourself, need not produce a single pin, plant a single seed — need not produce anything at all or offer any service in exchange.

"And the next year you could collect another \$3¼ million; and

so on for each year of your generation. Your descendants of the second and third generation could do the same for 99 years, the period of the lease. Then they could take ownership of the buildings on the 12 acres of land inherited from you. Your descendants could then continue to collect the rent-of-land and rental of the buildings as well for many years, assuming they were still useful.

"Now, consider this," I said: "Who produces the products and services the landholder and his descendants are permitted to take out of the common stock of products and services provided by our naturally associated and cooperating free enterprise economy? Obviously, only those who, like yourself, labor and provide true capital — man-made productive capital; wealth used in the production of more products and services for exchange or income.

"And think of this, too," I continued: "At literally millions of separately owned areas of land, large or small, held under title as a special privilege granted to the holders by the people, land rent emerges continuously. Millions of people are collecting personally, or through corporate or other forms of ownership, rent-of-land either by their own use of the land or by leasing it to others to use. This site or location value rent varies from a few dollars to millions of dollars annually at each rentable site. And remember, too, that rent of land includes all royalty rents paid for the privilege of extracting valuable natural resources found in or on the land; and that this rent-of-land fund exists whether the landowners or tenants work and provide the capital, or do both as producers.

"Whatever the total sum of annual rent-of-land proves to be, it is certain to be very large. Former Senator Paul H. Douglas of Illinois, speaking of the oil-rich shale land found in Idaho, Wyoming and Utah, largely held for the people by the federal government, said the royalties alone from this massive resource could well pay off the national debt."

#### **Are we confused?**

A WISE MAN once said that when confused we should go back to fundamentals. But suppose we are confused as to the fundamentals involved, or, in fact, are not certain there are any?

Consider the many kinds of economic and social problems that economists, social workers, politicians and others have identified, each of which seemingly demands the costly attention of govern-

ment and many private organizations as well. In spite of our efforts and the billions of public and private dollars spent, none of these problems has been treated in ways that will prevent their recurrence. Not a single important basic cause of these ills has been successfully brought to the attention of our people by educators or as a public issue. That there is such a basic cause can hardly be doubted; at least one more basic than others. To find and remove this basic error must be our goal.

#### **Two primary factors**

WE HAVE only two primary factors of production: the earth, called land; and man, called labor. There is between the two a father-mother type of relationship. And if anything prevents labor from having the freest, least costly and least troubled access to land, the entire system of economy, from producers to consumers, is obstructed, diverted, and made less efficient in operation.

#### **Land produces nothing**

IN OUR SEARCH for the reasons why free enterprise has fallen so far short of achieving its true potential for the good of mankind and our country, two vital economic concepts demand our attention. One is that the factor land, of itself, produces nothing – nothing at all – for the satisfaction of man's needs and ever expanding wants for quantity, quality and variety of products and services. Land is the inert or passive factor of production, and teaching economists have ignored this fact or failed to make it clear and meaningful in their textbooks and classroom lectures. Most of them treat land as capital – a scientific error. In what other sciences, social or otherwise, would professors and instructors fail their students by such illogical, unscientific use of terms?

True, within land nature has created great stores of iron, gold, oil, sulphur and other mineral and chemical resources; on the surface there is ample working space for production. Fish and many living things inhabit rivers, lakes and oceans; deer, rabbits, squirrels and other game are found in the great forests, and on the plains and mountain sides; and birds and other fowl are in the air and on the land. But as far as man's wants and satisfactions are concerned all these, being natural, are termed land in economic science.

The crude oil in the ground cannot fuel an automobile or truck; the gold in the earth cannot crown a tooth; a 40-pound bass in the river will not jump into the boat, let alone find its way into a deep freeze or frying pan. The land will not open up a furrow in which a farmer can plant seed, or provide an oil well through which crude oil can be brought forth. The trees provided by nature itself will not turn into lumber or firewood by reason of man's wishing alone; man must find and harvest the fruit of nature provided by vine and tree. The laws of production of wealth and services are written in natural laws; and, very interestingly, in the Holy Bible as well. "By the sweat of thy face . . ." the order to all mankind reads.

By the use of land sites and materials found in or on land, the water and air part of land, man must produce all things and services before they can satisfy his wants, natural or acquired; or he does without and dies.

#### **Landholders, as such, produce nothing**

SINCE LAND ITSELF produces nothing, it follows, we repeat, that man, as mere title holder of land, produces nothing either. These facts, in turn, raise a crucial and revealing question: If neither land nor landholders produce anything, how do men, merely as landholders, and to the extent their income is a result of mere land holding, get ownership and control of wealth and services? Obviously they must have some way of getting what others produce. Let us look into how they do this.

#### **Free Enterprise a "put and take" game**

OUR FREE ENTERPRISE system is, by its nature, a "put and take" game. The primitive man labored as hunter, fisherman, and harvester of wild fruit, berries, nuts and other edible things; and in securing materials necessary for clothing and housing as well. This was a simple case of first putting in labor and then using or consuming all they produced in the immediate satisfaction of their wants. And, in the process, let it be noted that no one collected any part of their production for merely allowing them the use of the earth.

This "put and take" concept of our economy places a sharp and revealing emphasis on both the moral and economic sense of free enterprise. A man farms, works at a machine or as a painter of

pictures or houses, as a barber or shoeshine boy; he works as an executive or janitor, a teacher or doctor, and in any of our seemingly endless occupations. He collects his labor receipts measured in dollars. These he takes to stores and other retail outlets; to offices of professional people; to theatres and sport arenas, to renters of housing, to travel agencies and the like to exchange for products and services which he desires and the system provides.

#### **Root cause of unjust distribution**

SO LONG AS A MAN can take out of our common markets of stocks of products and of service values produced by others that are reasonably equal to the values he puts into the system, justice in distribution or sharing of production exists. But landholders, and land dealers and land speculators, profit by law-made, built-in "something-for-nothing" tax advantage; not for what they do creatively. This enables them to take out of the system great values in products and services without making any contribution whatever. In all such cases injustice results. This forces all producers to take out of the common stocks considerably less value than they put in.

This is the crux of our people's and our country's economic and social problems. This taking out by landholders without putting in is the greatest single cause of injustice in distribution there is. It is the greatest single cause of restricted production and of the constantly recurring social and political demands that governmental systems for re-distribution of wealth and for providing welfare services be established — permanently established. It is the greatest single cause of big and costly government and high taxes. It is the greatest single cause of the failure of the free enterprise system to really win the people of the world today.

#### **Land titles are good**

OUR ECONOMIC and social problems are in no way due to our granting of title privileges to hold land. Such privileges are good; they give incentive to improve the land up to its best use. Such titles are necessary to assure private, exclusive and perpetual ownership of man-made improvements and all forms of real and personal property put in or on the land.

### The greatest abuse

OUR DIFFICULTIES are due to the abuses we impose on our free enterprise system. We now grant, legally identify, and protect private property in improvements, land titles and personal property. But we have for too long failed to recognize that private property is limited in morals and by sound economic understanding to things made by man. We continue a tax system which causes the greatest loss of true private property from producers to non-producers man has even known. This, as previously indicated, is due to tax privileges granted title holders of land, in effect, to "legally" rob labor and providers of capital of what they themselves produce, or for which they make proper exchange.

In the process of doing good for all and encouraging enterprise by granting private title to land, we failed to recognize and act on one hard economic fact. This is that those so privileged are obligated morally to pay all people the natural rent-of-land the people themselves, by their presence and by what they do, attach to land privately held.

Government should be responsible as agent — as the "realtor" of the people — to see that rent-of-land is collected for common use since people, and not title holders of land as such, create and earn it. Now let us consider why, and in what way these title holders of land, and their agents, manage to evade this natural and moral financial "ground debt" obligation to the people.

#### How landholders profit

IT IS UNDERSTANDABLE to one who will think that if title holders of land are to enjoy products and services others make or render, and which they can buy with their rent-of-land incomes, they must, somehow, avoid paying fairly to the people a sum of money equal to the cost to the people of making what the annual advantage or privilege of holding the land to which they hold title is worth. It is as simple as that. The wider the gap between the publicly created annual income value of the land held and what they actually pay to the people in exchange for the privilege, the greater the net rent-of-land they can keep and enjoy for personal use; the more "something-for-nothing" land income they have not only for not producing but, in fact, for interfering with production.

LET US CONSIDER some evidence of the lack of service land dealers and speculators as such perform. Suppose the land they deal in was held in trust by a dog or cat estate; or if it had been given to a tribe of natives in Africa who never saw the land or, in fact, did not even know what private ownership of land was. Certainly they could not, and would not, do anything to give this land its value. Yet they could have the rental value of this land credited to their banking account and enjoy the same profit for the same social or public reasons as all other landholders do.

A daily happening provides additional information that society can get along very well without profiting landholders and land speculators in their land dealing activities. This is that people who serve as labor and providers of capital cooperate in building wonderful improvements (such as Radio City) without owning the land on which they build. All they need or want is a lease contract for its use for a stated period of years to assure them proper market-determined rewards for their efforts, assuming the venture is a success.

Great privately owned and operated oil and mining corporations make huge investments on and in land they do not own. Especially well known examples of the public collection of oil royalties (rents) for public use by private developments are found in the Province of Alberta, Canada, in the Long Beach, California area, and in offshore publicly owned land rights in Louisiana and Texas. Royalties are publicly collected on the massive privately developed gold and diamond mining operations in South Africa. (The rich oil-shale lands of Montana, Wyoming and Utah, largely owned by the people of our country and managed by government, can be and should be developed on like principles.)

#### **Rent-of-land proper "feed" for government**

PEOPLE HAVE FOUND it desirable to have government. Some want more, others less. Yet, as all recognize, to have government we must "feed" it; that is, we must provide public revenue for its support. Shall government feed on the publicly earned rent-of-land, or on the privately earned rewards-of-human-effort — wages and interest (wages) treated as one fund? This is the only truly basic economic and moral tax issue the people must decide. But in doing

this we become involved in a serious, but generally unrecognized, conflict of interest as to which source of public revenue we shall use.

**Taxation good for landholders is bad for labor and capital providers**

THE ONLY WAY those who live altogether, or mainly, on what they produce is to produce things for themselves and others. On the other hand, the only way landholders as such can live is to have the tax structure politically arranged so that they can keep the publicly created and earned rent-of-land and use it privately to buy and enjoy the products and services others produce.

The peculiar and special nature of landholders' income requires that they favor and politically and educationally urge that we use just about any kind of a tax except one that falls on the location or rental value of land. However, both the economic and moral interests of all who live altogether or primarily from wages and interest incomes demand, of course, that we first use rent-of-land, called natural public revenue by those who understand, to the fullest extent possible before taxing (taking) the privately earned wages and interest rewards to support government.

To the extent we fail to collect rent-of-land for public use we must, as previously pointed out, tax the products and services people have to produce. This raises their prices. Or, we must use such taxes as sales, earnings, excise, cigarettes, gasoline and the like which tax (pump) money directly from pockets and purses, or banking accounts of those who live primarily or altogether from wages and interest to support government. Such taxes have practically the same social and economic effect as taxes which raise prices; they leave the people less with which to supply their own needs. Of course we are misled by futile and inadequate tax-education and much propoganda into using a multiplicity of compound-ing taxes which do both; and in doing so greatly confuse and fool the people.

On the other hand, if we use the publicly earned rent-of-land income to support government, and abolish or reduce as much as possible taxes which pump our earned wages and interest, or our savings, to government, quite a different effect is assured. This policy gives all people public services paid for by our publicly earned rent-of-land which was formerly privately collected and

kept for personal use by a few landholders who enjoy the great bulk of such income. In this case the value of public services paid for by rent-of-land is, in effect, added to the value of products and services people buy for themselves and pay for out of their privately earned wages and interest incomes. In other words, people then benefit financially by both the government use of rent-of-land and by their private spending as well. But when we permit this rent-of-land fund to be used privately to benefit landholders then we have to pay for such government service rent would buy by paying taxes directly or indirectly on privately earned wages and interest incomes. In this case the people lose the benefits of rent-of-land not collected for public use and the money they would pay in taxes because of this, as well.

**Public collection of rent-of-land lowers prices**

IT IS AN indisputable economic fact that taxes levied on the site or location value of land, or which fall directly on the rental value of land, are paid out of the rent-of-land income now being collected by the landholder. All economists agree that the landholders cannot increase their rent-of-land charge and in this way recover the rent paid to government; nor can it be recovered in higher prices for products, services, or in house rents; or in higher prices of land.

The economic effect of higher land value taxation is to make available more and better land for people to use and to force poorer land being used out of use until needed. The use of better land increases production with the same amount of labor and capital. This should and will, and if not otherwise interfered with, lower prices to consumers.

**Why taxes on land value do not shift in higher prices**

THERE IS A REASON why taxes imposed directly on the location or rental value of land cannot be shifted. Landholders get all the rent-of-land they can for the use of their land. If they could get more would they wait until government increased taxes on the rent they now collect to do so? Of course not! On the other hand if they are getting all they can – all that competition of other landholders and land locations permit, how can they get more just because their taxes on their land are increased? The mere fact that taxes are increased on their land only, in no way creates more

land value, and so gives them no economic power to charge more.

The only effect an increase in taxes on land value has is to reduce the net rent-of-land retained by the landholder. This reduced net rent will, of course, cause buyers of land to offer lower prices for the land. If all the rent-of-land were collected by government, it would be as a practical matter, reduce the net rent, and the price of land, to zero, the price placed on it by its creator — God or nature.

Then, too, this fact must also be considered. If landholders could get increased rent to offset the higher taxes, the government could then increase the taxes on the rent-of-land to absorb the increase as well. Thus the net land income and the selling price would again be zero.

The educational shame of all this is that seemingly economists, as a class, have either not taught the non-shiftability of a tax on land value or rent-of-land; or if they have, they failed to make this vital knowledge economically, socially and morally significant, and therefore less likely to be remembered by their students; and far less likely to be known by the people.

#### **A seemingly unknown real estate tax fact**

ALTHOUGH general tax reform is absolutely necessary, experience has shown that, since the real estate tax provides much of the revenue used by local government, tax reform should begin with the scientifically based land tax reform proposed here. However, in considering this limited reform another basic economic truth that seemingly has escaped the attention it deserves of economists demands consideration: The real estate tax is not one tax; it is actually two taxes mistakenly treated as one. One is levied on the location or rental value of land; the other on the value of (man-made) improvements placed in or on land.

#### **Which is best for man and country? High or low priced land and products?**

IT IS EQUALLY important to note that these two different kinds of taxes have opposite or contrary economic and social effects on the people and the country. As previously stated taxes on improvements used in business, industry and for habitation by the people; and in the operation of public utilities, are shifted in higher prices

to people as users and consumers. However, taxes imposed only on the location value of land are not; they make land lower in price and easier to get for any and all uses; to own and occupy or to build on and to rent to others.

By the use of this economic "cause and effect" knowledge we can make the price of both land and of products and services higher, or we can make them lower. If we make them higher we will make it harder, whereas if we make them lower, we will make it easier for people to get a living and a better one.

The most direct and simple remedy for our highly unsocial, destructive, dangerous, anti-incentive, anti-free enterprise, anti-labor and providers of capital, anti-freedom taxation lies in the recognition and application of a few economic science and moral truths.

#### **Tax interests of landholders and labor and capital providers are opposite**

WE MUST RECOGNIZE and act on the fact that the dominant taxation interests of all men who labor and provide capital, and of all people as consumers, are directly opposite to those of landholders as a class. A public revenue system good for landholders is bad for labor and providers of capital; one deemed by some people bad for landholders is good for labor, providers of capital, and all people as consumers.

Our tax system today strongly favors non-productive landholders. Understanding this is essential if we are to achieve both economic and moral progress and eliminate, or greatly mitigate, most of our economic and social problems.

#### **To correct bad taxation**

THE WAY we can most quickly and surely bring about this desperately needed reversal of today's bad taxation is to help our people understand and know how to use to their advantage the following concepts: —

1. Taxes themselves are not 'sources' of public revenue as too many economists, political representatives, educators and social betterment leaders most often and carelessly choose to call them; and this is not a matter of semantics. Economic science factors and principles clearly reveal that taxes serve as pumps. An understand-

ing of the difference between taxes — the pumps — and actual economic science revealed sources is essential if citizens are to serve their own and their country's best and truest interests.

2. While many kinds of taxes are now imposed on the people, and new taxes can be invented at any time, economic science reveals that there are only two basic sources of public revenue from which taxes can draw or "pump" revenue to government. These are: 1. Rent-of-land, and 2. Rewards-of-human-effort. The latter, as mentioned previously, includes wages and interest, a form of wages, as one fund. They are so combined because of the natural cooperating relationship between all who labor and those who provide capital; and the fact that more and more people do both in no way alters any principle involved. And as all know, a demand for labor is a demand for capital — tools, raw materials extracted from land, produced parts and assembled products, etc.; and that a demand for capital is also a demand for labor. So far as the basic-factors and principles of economic science are concerned — not the wishes of landholders, land dealers and land speculators, or self-seeking men of labor or of business and industry — we could not have a basic tax law good for providers of capital that is not also good for all who labor in any capacity, and vice versa.

3. By our choice of which 'source' to use, or use first, we can, as indicated previously, make it easier or harder to increase or decrease production; to secure the use of more and better land, and to produce and have the use of more capital. This means that we can make it easier or harder for people to have more and better paying jobs.

4. By an increased use of rent-of-land and a decreased use of the rewards-of-human-effort to support government, we can reduce the number and intensity, and the cost of mitigating or practically ending many of what we call economic or social problems.

5. The increased use of the rent-of-land sources of public revenue will greatly increase the attractiveness of our free enterprise and free market competitive system and enable it to win the people of the world to it. Such an improved, less costly and less taxed free enterprise operation will enable it to defeat Communism in the only way it can and ought to be defeated; by sheer competition in the world market of ideas and trade, and in peace, too.

THE FAILURE of government to collect and use rent-of-land for public use causes much unnecessary spending, waste, cost and taxes. The sum of this expressed in dollars, many who have considered the matter think, might well exceed by several times the total revenue in dollars rent-of-land would provide government.

Consider the needless high prices and cost of land that must be paid for right-of-ways for highways, oil and natural gas pipelines, telephone and local and interstate utility services; for parks, airports, recreation and conservation; land for public and private schools, hospitals, churches, government buildings of all kinds, and for all housing for private business, industry and residential needs and the like.

Consider the massive cost and waste because of our anti-social use of land in slums and poverty areas within which lies some of the most useful residential and light industry locations now to be had. And what of the cost of our failure to use to full advantage the millions of vacant and under-improved lots already serviced by streets, sewers, police, fire and sanitation departments, public and private transportation and the like; the needless multi-billion dollars of waste due to urban and suburban sprawl that land speculation and inferior use of land cause; and the cost of farm production lost by reason of premature suburban development of farm land near cities.

A further yearly loss of great significance is the cost of time, tires, fuel, and general wear and tear of privately and publicly owned automobiles, buses and trucks involved in serving spread-out areas that more orderly and well planned community development would have prevented.

Added to all this we must consider the cost of collecting the multitude of taxes now imposed in a variety of ways on every phase and facet of production and consumption. These taxes greatly reduce incentive to produce and prevent the lower costs of products and services increased production would make possible. Also, we should consider the increased production we could enjoy if all the needless tax-collectors and employees needed to service government tax collections in business and directly from the people were, themselves, engaged in producing more and better products and providing more and better services.

All this suggests it is not merely the amount of rent-of-land that could be used to support government that is important as many economists seem to think; it is also the waste, higher costs of products and services; and taxes which reduce the personal income of labor and providers of capital that could be prevented.

**The basic formula for correcting ills  
of Free Enterprise**

THE BASIC FORMULA for the correction of what ails free enterprise and threatens our political and economic freedom is direct and simple. It is to abolish, as far as possible, all taxes which fall directly or indirectly on labor and providers of capital, and collect instead — as a substitute for these, and not as added government income — the publicly created and earned rent-of-land to support government at all levels — federal, state and local.

**If we overspend what rent-of-land provides**

THE RENT-OF-LAND source can hardly, of itself, support the size of government now imposed on us. But if the change of public revenue sources as suggested here is made, government spending, costs and taxes, and the size and income needs of government will be substantially reduced. Given time for adjustments to be made in increased production and lowering of the costs of government under the system, our rent-of-land income will probably provide all the government we need. If the people decide to limit government to what this natural source of public revenue, rent-of-land, would pay for, then this fund, obviously, would provide fully for government.

Should the majority of people insist that government spend more than what our rent-of-land fund provides, we can supplement it in these ways, all now being used: —

1. Retain the income tax, but reduce its progressiveness and burdensomeness to producers; and, possibly, raise the level of individuals tax exemption as well.
2. Continue the inheritance tax, presuming that this too can be modified and possibly eliminated in the future.
3. Continue the gasoline tax which, more than most taxes, relates directly to the services it provides people in supporting our highway and road programs; and which has gained general acceptance in our country.

4. Develop a system of fees or "special benefits received" forms of revenue to meet the cost of providing for garbage disposal, water and sewer services, street cleaning, street forestry and shrubbery and other community beautification programs, thus removing these costs from the tax structure itself. Such a system would encourage a more economical use of these services.

#### **Sharing rent-of-land and taxes**

ANOTHER FACET of the program must have consideration. This is the sharing of revenue collected between the various levels of government. This problem can be solved by just working at it. We see more and more use of shared incomes by government, especially within state and local subdivisions. Functions could be assigned to various levels of government very much as we do now. Develop a budget system which allocates revenue to government in some proportion to their functions. Or if more choice is to be permitted the various local levels of governments in raising additional revenue let them request the higher levels which raise revenue of various classes to collect this additional revenue as is the case in the sharing of sales, gasoline, cigarette and other taxes today.

#### **More title holders of land**

THE APPLICATION of this program of land and tax reform as is suggested herein will in no way eliminate the use or worth of private possession of titles to land as now provided. In fact, by eliminating profit from holding land out of use, or in poor use, and making land now unused or improperly used readily available to others who want to use it, we can be certain that the number of desirable people holding private title to land in urban, suburban and in rural areas will greatly increase. Because of the many economic and social benefits of such a land tenure and public revenue system, we can be sure that land needed by the people for use in business, industry, farming, community and residential purposes of all kinds will always be in open and good supply.

#### **Public collection of rent-of-land best for real estate and building trades industries**

THE VAST MAJORITY of people concerned with the constructive and servicing sectors of the real estate business and the vast majority of architects, contractors, engineers, homebuilders, material sup-

pliers, providers of mortgage financing and insurance, rentals, as well as those primarily concerned with city planning and beautification would support such a program. All such constructive forces in this massive industry will profit greatly in earnings and in security of property as well by doing so.

Not only will those associated in any way in the building trades industry profit more, they will operate under conditions that will allow them to play a far greater, and government, a far smaller, part in rebuilding and rehabilitating our slums and run-down areas. Furthermore, they will do this without the economic clumsiness, possible political corruption, unfairness, great waste and the high costs and taxes involved in mass, or in single block or single lot spot-type urban renewal programs.

#### **Urban renewal wrong answer**

THE KEY IDEA in urban renewal programs of making the cost of land low to developers and giving incentives to build by lower taxes on improvements, is sound. However, it is crudely, shamefully and unfairly used in both large and small piecemeal programs. Land and improvements are bought at current prices. The land is then cleared of all improvements at taxpayers' expense. Then the land is sold at a loss; at a low enough price to assure the privileged developer a profit. Taxes on improvements to be made are abolished completely for 10 years, and levied at 50 percent of the general rate for another 15 years. The former tax rate on the land only is continued during the 25 year period.

#### **The better way; where tried**

WHAT IS NEEDED is overall real estate tax reform to secure far more efficient results with less direct involvement of government and less unfairness to other competing property owners and taxpayers. Improving and rehabilitation of property should be encouraged by a general and complete untaxing of improvements. This could be done at one time as is the case in Australia and in New Zealand where some two thirds of all local governments operate on this 'graded tax' plan; or it could be altered in gradual stages, as was done in a period of 15 years in the City of Pittsburgh, Pennsylvania, the rate on improvements being lowered to half that on the land; and is being done at present in Hawaii where, in eight or so years,

improvements are to be taxed at 40 percent of the rate on land values. The 48 cities of the third class in Pennsylvania can, with the permission of the city councils, tax land values only — exempting improvements entirely — for city purposes. Over 100 California irrigation districts, based on laws written in 1909, have taxed land values only (exempting improvements) to pay for and maintain their irrigation systems.

#### **Farmers gain by land value taxation**

FARMERS ARE great gainers when taxes on land location are increased and are lowered or abolished on improvements. Many unknowledgeable and unthinking people presume such a system will penalize farmers. They forget farmers work, provide capital and, very important, will benefit by lower prices as consumers.

In 1904 Danish farmers who knew the difference between land area and land value, and knew that land location values were highly concentrated in urban, suburban, industrial and natural resource areas, adopted a resolution calling for increased land value and less improvement value taxation because they and all homeowners and home-renters would pay less under such a system. They followed this up by more economic and social education in their folk schools and in other ways.

Today, because of this reform, and much earlier land redistribution land reform movements led by aristocratic holders of great landed estates who feared armed revolution that had struck other places in Europe, 97 percent of the Danish farmers own the land they work.

In Denmark there is in addition to general land value taxes at all levels of government, a special tax on profits made on land sales since World War II.

In this way incentive to use land up to its highest potential is applied throughout the tax areas. All owners of property in real estate are encouraged to build, tear down and rebuild, to rehabilitate and constantly maintain property under rules that apply in the same fair way to all. Unfair competitive advantages are not given a few favored builders or developers in the urban renewal neighborhood. The government will not have to buy property and charge the loss to the taxpayers; and its involvement in the people's business to provide housing for any purpose is reduced to a minimum.

These experiences support the idea that land can and should be made low cost to developers and users simply by taxing the value of land more so as to transfer this rent-of-land from title holders to the community that pays the entire cost of making the land valuable.

#### **Not to punish landlords**

WINSTON CHURCHILL said, in the earlier years of his fabulous political career, when he was fighting to correct bad real estate taxation in Great Britain (from whom we inherited our own bad real estate tax customs): "We don't want to punish the landlord; we want to alter the law." And to this all should offer a hearty "amen." However, landlords today produce amazingly great services in many ways for our people and our country. Yet, as many more people are beginning to realize, our tax policies are such that the more and better improvements our landlords make by their own efforts, the more they and the people are punished by the tax system basically designed and politically controlled by landholders, land dealers and land speculators; and so, we might say, by our "tax lords"; and in their own interests, of course.

#### **Legalized social robbery**

PEOPLE MUST be made keenly aware of the fact that land, itself, produces nothing; that landholders, as such, produce nothing; that the only way landholders can get products and services produced by others in exchange for the non-service and harm they do is to pay far less to society than the special privileges of holding land serviced by the community is worth; that to do this they must corrupt the people's tax system and the Free Enterprise economy. Once this fact is more commonly known how long will those who labor and provide honest, man-made and man-used capital put up with such a wrong-way tax system? (Racket would be a better name.) How long will employers and capital providers accept blame for anti-social job and wage conditions which owners of "income" land really cause?

People must be made to realize that every single penny's worth of products and services bought with rent-of-land money is legalized social robbery. Knowledge of these facts should cause people to burn with intense social anger; and it will. Then government will

be compelled to use all the rent-of-land income possible before taxing away a single penny of earned wages and interest, or imposing taxes on what people produce and exchange.

#### **The great American Free Enterprise loophole**

TODAY ECONOMISTS and political representatives seek ways of stopping tax "loopholes" by which many escape all or much taxation. However, if The Great American Free Enterprise Loophole — the most costly and wasteful loophole of all — is closed by use of sound and moral economic principles, and taxation is made as direct and simplified as it can and should be by increased use of land location value taxation, practically all so-called tax loopholes will be non-existent. Then the special privileged landholding, land dealing and land speculator class will be forced, to the extent they now live on and invest out of rent-of-land incomes, to actually produce this part of their living and investment income by their own labor or provision of true capital, or both, just as all others must do. We will no longer have the largest, most persistent and shameful "something-for-nothing" leak-away of our national production from producers to non-producers the world has ever known.

And finally, we will have an economic system worthy of a freedom loving people and the free market, free enterprise concept of economy.

#### **Slum-rotted cities rejuvenated**

AS A RESULT of properly applied land value taxation and the betterments of untaxed production that will easily and quickly follow, there will be a great and privately achieved rejuvenation of our slum-rotted cities and our shamefully tax-abused free enterprise economy. Further, we will discover in this fundamental correction of our public revenue system, that we will also have the most certain assurance possible of preventing the recurrence of most of today's social and economic problems we seem unable to really solve regardless of the billions of taxpayers' dollars spent.

#### **Conclusion: Free Enterprise untaxed; Communism defeated**

COMMUNIST COUNTRIES try to make their monopoly economy work better by offering their people incentives and a greater choice of products and services. This, plus rapid introduction of western de-

signed machinery and methods, has lifted the people's standard of living.

Few seem to realize however that much of Communist success is due to something apart from the Communist type industrial economy; it lies in the absence of a handicap which seriously injures us. No Russian takes out of production without putting in; no Russian gets what others produce through landholding and unwillingness to pay fairly for what the privilege is worth. Land needed for roads and highways, farms, factories, stores, docks, airports, parks, playgrounds and recreation and the like cost their taxpayers nothing. Land that planners, architects, engineers and community developers deem best for all purposes is freely available and quickly too. Yet, with all this Communism will always be greatly handicapped by a lack of incentives and opportunities offered its people that a politically and economically free society provides.

We need not suffer our evil land tenure and tax handicap any longer. We need only to switch from taxing labor and providers of capital, and our people as users and consumers of products and services, and use, as far as possible, the rent-of-land source to support government as indicated in this thesis. Under such environmental conditioning we can win the world to our type of political and social freedom. We can defeat Communism without firing a shot. We can and will enjoy the peace — freedom from war and the fear of war — and from economic and social ills mankind has so longed for over past centuries.