The Natural Source of Revenue for the Government

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Before writing anything on this subject, it is necessary to define terms. *Wealth* consists of material things produced by labor from land to satisfy desires. This definition excludes evidences of wealth from wealth. The man who owns U. S. bonds may be wealthy, but no one would say that U. S. Bonds are wealth. If all the bonds outstanding were destroyed, the wealth of the United States would not be changed at all. What the bond holders would lose, the rest of the people would gain.

Capital is wealth used to produce more wealth. Farmers today produce many times as much as their grandfathers did on the same land. The reason for this is the use of better machinery at the present time.

Wages are the payment for labor, either by hand or brain. The gold the Forty-Niners gathered from the creeks in California are their wages and were so called. The crops the farmer raises are his wages after he has paid for the use of the land and for the use of the machinery he uses. Most wages are paid by the employer to the employee for labor, usually in money at regular intervals.

Interest is what is paid for the use of capital and includes more than is paid to a bank as interest on a loan of money. The farmer or contractor rents machinery—what is paid is interest.

Ground rent is paid for the use of land. As a boy over 80 years ago I remember the Prairie Schooners going to Iowa to take up free land. This same land now will rent for $25 or $30 per acre cash. This means a value of $500 an acre, for an income of $25 or $30 a year, capitalized, is $500. The term "ground rent" is not much used in ordinary conversation, but it is very real and important.

Land value is ground rent capitalized. Ordinary house rent is partly ground rent and partly interest. If a house costing $10,000 is put up on a lot costing $2,500, 1/5 of the rent is ground rent and 4/5 interest. Over the world as a whole there are many more tenant farmers than farmers who own the land they use. In the United States a tenant farmer pays about 1/3 of the crop for the use of the land. In many places in the world this proportion is as much as 75%. What the tenant farmer pays for the use of the land is ground rent.

All production is distributed to the three elements of production, namely, ground rent for the use of land, wages for labor, interest for the use of capital. The profits of the manufacturer are made up of ground rent for the use of land, wages of management, and interest on his capital.

The title which I have selected for this pamphlet will seem to most readers to be unreasonable. For thousands of years governments have levied taxes on the wealth of their citizens to cover the expenses of government. The proposition that a fund exists which, by the nature of things, belongs to the government as the fiscal agent for the community, will appear to be unreasonable. However, a little thought will make it clear that there is a fund that is created by the presence and activity of the community—a fund that increases as the population increases, that increases as inventions are made. This fund is ground rent. Ground rent, capitalized, is land value. Everyone knows that land value increases with the population and with inventions which make land more useful. Ground rent, capitalized, is land value, which is small in the country but is great in cities. I understand that the ground rent on the land on which the Rockefeller Building stands on 42nd Street in New York City is on the order of one million dollars per acre per year. The Astor family made a large fortune by buying land in New York City and waiting for the increase in population to make it more valuable. Now, this ground rent produced by the presence and activity of the community belongs to the government as fiscal agent of the community, and is *the natural source of revenue for the government.* It belongs to the community and, therefore, should be collected by the government for community expenses, because the community produced it and it is its natural source of revenue.

The community uses land to produce ground rent. Individuals and groups of individuals use land to produce wealth. Ground rent belongs to the community because the community produced it, and wealth belongs to the individual because the individual produced it. The individual has no moral right to any part of the ground rent produced by the communtiy. The community has no moral right to any part of the wealth produced by the individual.

The community produces ground rent, therefore, ground rent belongs to the community, and it is the

natural source of revenue for the community. This obvious fact is not recognized by our man-made land laws and will therefore appear to be radical to those who have not thought about it. Our man-made land laws give the ground rent produced by the communtiy to the land owners. Private ownership of land is generally recognized as being desirable and as tending to promote the best use of land. The essence of private ownership of land is the private, exclusive, continuous *possession* of land. The legal privilege of collecting community-created ground rent from a piece of land is not necessary to private property in land. The community as a whole creates ground rent. The land owner does no more to create ground rent than any other member of the community. At the present time, the proposition that the government should collect community-created ground rent for community expenses instead of allowing the land owners to colleect it is radical. It is as radical as the proposition to abolish slavery was 100 years ago. We all recognize the fact that our man-made laws made a serious mistake in not recognizing the fact that man belongs to himself and, therefore, cannot by the nature of things belong to a master. Admitting the fact that our man-made laws made such a serious mistake about slavery may make it easier to admit that possibly our man-made laws made a similar mistake when they gave ground rent to the land owners, who have no moral or natural right to ground rent. The reason our man-made laws give ground rent to the land owner is probably due to the fact that our land laws follow English land laws. English land laws followed Roman land laws, so that for over 2,000 years our land laws have been made by landlords for the benefit of landlords. Land value is the capitalized value of the legal privilege of collecting community-created ground rent on the piece of land held by the land owner. The injustice of this system is so common that we do not recognize its injustice, just as the slave owner did not recognize the injustice of slavery.

It must be recognized that if the government collected community-created ground rent for the benefit of the community instead of allowing the land owner to appropriate it, the selling value of land would go to zero. If this should happen, speculation in land values would disappear. If we think about it, we realize that no one can own a piece of land in the same sense that he owns the crop that he raises. Land is part of the surface of the earth and, therefore, part of the solar system. Can anyone claim to really own part of the solar system?

A hundred years ago our man-made laws gave the slave owner the legal right to what the slaves produced from the soil. Today our man-made laws give the landlord the legal right to collect community-created ground rent. Are not both of these tragic blunders on the part of our lawmakers? The land owner has no more natural or moral right to collect ground rent that belongs to the government than the slave owner had to appropriate the wealth that the slave produced. It is clear that the appropriation of ground rent by the land owner makes land value. High land value makes land hard to get. Henry George, in his epoch-making book, *Progress and Poverty,* makes it clear that the very much lower price of land which would result if the government collected community-created ground rent for the expenses of the community, would produce a society in which there would be more jobs than there are workers and that, therefore, the competition between employers for workers would raise wages to their natural levels and it would not be necessary for the workers to form unions and wage a mild civil war to get the wages to which they are entitled. George shows that the condition of most people who have only their labor to sell would be vastly improved and they would live in a new world, just as the slaves lived in a new world after slavery was abolished.

What I want to point out particularly here is the improved attitude of all of us toward our government if the government collected ground rent for the expenses of the community. If government has a natural income, as I have tried to make clear, government has no moral right to collect taxes on the wealth its citizens produce. We all agree that no citizen has the right to appropriate the wealth of any other citizen. How, then, can government have any right which no citizen has? However, it is evident that government has the *power* to collect taxes on the wealth the citizens produce and has exerted this power from the dawn of history. Governments, like individuals, have the power to do things they have no moral or natural right to do. When government exercises a power it has no moral right to do, it is tyrannical to that extent. Most of us agree that the government of Russia is tyrannical when it refuses to recognize the natural rights of its citizens. Is not our own government tyrannical to the extent it collects taxes on the wealth produced by its citizens and refuses to collect ground rent which is its natural source of revenue? Government exercises the power to take 52% of the income of the wealth-producing companies

of the United States, but has it any moral right to do so? Government collects directly from companies and individuals and also levies excise taxes, which are particularly hard on persons of small income. It collects 2c a gallon on gasoline and 10% on automobiles, and more on cigarettes than they cost to produce. A considerable part of the income of our states comes from sales taxes which are mostly paid by people with small incomes. Our present system of taxation impoverishes everyone, both rich and poor.

When our man-made laws fail to comprehend natural relationships and permit land owners to collect ground rent that belongs to the community, both the production and distribution of wealth are affected. The production of food is of first importance. The fact that our man-made laws permit the land owner to collect community-created ground rent makes the price of farm land high enough so that most farmers will have to work a good portion of their lives to pay for the land on which food is produced. In general, the cost of land to a farmer is much greater than the cost of the machines required to properly work the farm. If the community collected ground rent, the selling price of land would mostly disappear and the cost of land to a farmer would be very little.

Our present system of taxation makes it pay to hold land out of use waiting for a higher price. Holding land out of use decreases the number of jobs, for all jobs consist in using land to produce wealth as a farmer does, or using the finished products of some manufacturers to produce another product, as a manufacturer of automobiles does. Our present system of taxation fines people for increasing the wealth of the community. If one paints his house or adds a room, the assessor adds to the value and the owner is fined by increased taxes. If one starts a successful business and increases employment, the fine is large in increased taxes, and if one puts the nation on wheels, as Henry Ford did, the fine is hundreds of thousands of dollars a year.

What effect does the high cost of land have on the distribution of wealth? If ground rent belongs to the community, land laws which permit land owners to collect ground rent permit land owners to appropriate what belongs to the community. Just as a hundred years ago our man-made laws permitted the slave owner to appropriate the wealth which the slave produced.

At present, land owners are appropriating much more wealth from the community than the slave owner appropriated from the slaves a hundred years ago. It is clear that no one as a land owner does anything to produce wealth. He merely collects what belongs to the community. The appropriation of wealth by the land owner is the chief cause of the unjust distribution of wealth which exists today and is, therefore, the chief cause of Communism. Is it not reasonable to say that we cannot expect to get rid of the threat of Communism until we get rid of the cause of Communism?

If ground rent is the natural source of revenue for the community, government is exercising its power rather than its right when it levies taxes on wealth. When any government exercises its power instead of its right, it is tryannical to that extent. Can we expect to get rid of the tyranny of our own government until it exercises its right to collect its natural source of revenue and refuses to levy taxes on wealth to which it has no natural right?

Thirty or forty percent of what the farmer receives for his crops is paid for use of the land, and is ground rent. Twenty-five percent of house rent is paid for the use of the land on which the house stands, and twenty-five or thirty percent of what is paid for office rent is paid for the use of the land on which the office building stands, and is ground rent. Probably two-thirds of the cost of crude oil and gas is ground rent and is evidenced by the enormous cost of land yielding gas and oil. Royalties for the use of mineral lands are all ground rent. Whenever one buys a vacant lot, what he pays for is all ground rent capitalized. A careful estimate of the amount of ground rent paid by the average citizen per year makes the amount of over $400. If there are 160 million people in the United States, the amount of ground rent collected by the land owners, to which they have no moral right, is 160 million times $400, or 64 billion dollars per year. If these figures are anywhere near correct, it is evident that the natural source of revenue for the community, namely, ground rent, is sufficient to pay all federal and local taxes and enable the government to abolish all taxes on wealth. Most people feel that when they are paying taxes, the government is getting something more than it is entitled to. This analysis shows that the government is not entitled to collect any taxes on wealth produced by the citizens. The present feeling of most of us is that the government is the enemy of the taxpayer. If this feeling gets great enough, it leads

to revolution, as is shown in France at the present time where a considerable part of the French citizens refuse to pay any taxes. On the other hand, it is only when government collects all of the ground rent for the community that the selling price of land goes to zero and the worker can produce wealth without paying some other man for the privilege. Why should a man pay some other man for the privilege of using land any more than he should pay some other man for the use of air? Are not both air and land free gifts of the Creator to his children?

We live in a world that is governed by natural law. When we fail to observe the natural law, the consequences are disastrous. Most of us would admit that the moral command, "Thou shalt not steal," is part of natural law, and must be obeyed if we are to have a successful society. Nearly everyone of us as individuals observe this law. Is it not clear that our man-made laws disobey this law then they permit land owners to collect ground rent on the land they own? If anything belongs to the community, the ground rent produced by the presence and activity of the community belongs to the community, and when it is collected by the land owner, the community is defrauded. From a moral standpoint, the land owners are permitted to steal from the community. When men produce wealth directly from land as the farmer does, or produce wealth by making some products of land more valuable as the manufacturer does, is it not clear that the wealth so produced belongs to the individual or groups of individuals who produce it? No one, not even the Government, has any moral or natural right to it. When our man-made laws permit the Government to collect by taxes the wealth produced by its citizens, do they not, thereby, make stealing legal? We all realize that the slaves lived in a new world when the stealing made legal by the master slave relationship was abolished. Is it not equally clear that the workers in the world today (and that includes most of us) would live in a new world if our man-made laws were changed so as to stop the stealing by land owners of the ground rent belonging to the community, and by abolishing the stealing by the Government from the individual when it collects taxes on the wealth produced by the nidividual? Prosperity is the natural result of observing natural or moral law. Unemployment, poverty, depressions and strife are the natural result of disobeying moral or natural law.