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Local Policy for National Prosperity

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IT MAY COME as a shock for many to realize that state and local governments can assume an important role in macro-economic policy with the purpose of reducing non-productive income drains and thereby increasing the real income of labor and capital. For example, state and local governments can take measures for facilitating the entry of labor and business into existing markets.

A reduction in non-productive real income drains requires that total expenditures be limited so as to minimize the taxation of the non-surplus income of labor and capital. Top priority should be given to reforming the property tax so as to reduce or exempt the ad valorem tax on capital, *i.e.* improvements and personalty, and increase the tax on land values, which reflect the drain of economic rent by previous or present land owners. In addition, as many public services as possible, such as sewer and water, should be financed by service charges rather than taxes. [Excerpts from an address before the National Tax Association.]

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