ECONOMIC REFORM THROUGH TAX REFORM

Submitted By

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The annual income of the United States is approximately 60 billion dollars, and the annual tax bill 12 billion dollars. Assuming that the local, state and federal governments return in service dollar for dollar collected, there would arise at least 12 billon dollars in rent. This socially created value is presently privately appropriated. And labor pays the bill twice.

The Astors owned the square block under the Empire State Building. They sold it for 16 million dollars. Those who benefitted society by the creation of a magnificent structure were penalized by (1) the high cost of the land and (2) the high taxes on the building. The owners of the land who were instrumental not at all in creating the value of the land received all the benefits, while the builders, overloaded with mortgages, had a white elephant.

There are 175,000 tax levying units in the United States. Illinois alone accounts for 17,336; Missouri has 11,626 and New York has 11,184.

In New York City the assessed or market value of the land is 8 billion dollars and the assessed value of the buildings is approximately the same. The current municipal budget is 630 million dollars. Here is how the collection of economic rent by New York City would suffice to meet the budget:

(1) There is presently a 2.7 tax on land value.

The capitalized (market) value of the land is decreased by 2.7 times 8 billion dollars or 216 millions.

(2) Taking 5% as the current rate of interest, the economic rent now privately collected is 5 times 8 billion dollars or 400 millions.

Thus the full economic land value of New York City is the capitalization of 616 (400 + 216) million dollars or $12,320,000,000. The collection of the 616 million dollars is approximately equal to the entire budget of New York City. Figures for other municipalities indicate a similar situation.

A CONSTRUCTIVE PROGRAM

I. The following amendments should be added to state constitutions:

A. Abolition of the tax levying power of all governments except that of the several states.

B. Collection of the economic rent of the land value in each state by a central assessing state tax office. This is not to be confused with a tax on the market price of land, which would be disastrous.

C. Allocation to local governments of taxes on a pro rata basis.

D. Allocation to the federal government of a per cent of the state collected economic rent.

E. Simplification of tax lien foreclosure procedure in accordance with the suggestions made in the report to the State Planning Council of New York by the State

Planning Commission.

F. The registration of all land titles under the Torrens Law.

II. The following amendments should be added to the Federal Constitution:

A. The federal government shall be permitted to share on a pro rata basis with the several states of the rent collected by the states, the percentage to be the same for all states and to be fixed by Congress with the approval of the president.

B. Extraordinary taxes may be passed by Congress only in the event of a war or of a national catastrophe due to an Act of God, and then only on income and inheritance.

WHAT THE PLAN WOULD DO

1. Elimination of land speculation; would end:

a. The primary cause of depressions

b. The primary cause of premature subdivision of urban lands

c. The principle deterrant to production.

2. Elimination of Slums

a. Owners of vacant or underused land would be forced to put them into proper use or to dispose of them to someone who would build.

b. More rentable space would be available, and retail rents would decrease in proportion.

3. Elimination of Unemployment

a. Construction and all other dependent industries would immediately be stimulated.

b. The end of the tax on labor products would remove the current stagnation of production.

c. Necessity for relief would be ended.

4. Curtailment of High Cost of Government; plan would end:

a. Overlapping and multitudenous tax levying units.

b. Necessity for the prosecution of tax evasion; land cannot be concealed. Land value tax cannot be avoided.

c. Cost of eminent domain would be ended; sufficient land would be available where there was non-payment of tax liens. In any event the market price of land would approach a minimum.

d. Cost of relief.

e. Cost of bureaus futily attempting to regulate the country into economic recovery.

CONCLUSION

Prosperity is the goal. Tax reform is the method of achievement. The technique is simple, direct and effective. It is the untaxing of labor to promote enterprise, and the collection of economic rent to discourage indolence and inequity.