

## Many Taxes - Two Sources

IN AN address before the Missouri Economics Association at the University of Missouri at Columbia, Missouri Noah D. Alper outlined the principles defended by the Public Revenue Education Council in St. Louis of which he is president.

Economic errors lie at the root of most public problems. Macaulay foresaw in 1857 the dilemma which would confront the U.S., when he predicted that a time would come when we no longer had "a boundless extent of fertile and unoccupied land." Then would follow growth of the power of the state and the decline of man's personal freedom with which we are already familiar.

In the system of taxation which our country inherited, property plus tariffs provided the tax base for federal, state and local government. As mass production of automobiles increased, these boundaries merged. More revenue needed for roads and schools gradually shifted the emphasis from city and county government to the state, and soon thereafter to the federal government, as the forceful tax collection agency. Then came the income tax, and we were well on our way to the all-powerful state.

Along with centralization of the taxing power came a shift from real estate to non real estate taxes, such as income, earnings, use, sales, gasoline, excises and profits, with the burden shifted to the workers and providers of capital. But among state and local governments there is at present an encouraging revival of interest in the property tax, as indicated by an extensive list of books and articles on the subject. The Public Revenue Education Council has distributed much of this material, upon request, to some two thousand economists in universities and junior colleges.

Because of the increasing number of taxes with their compounding effect, our tax structure has become highly anti-incentive to production and producers. This is due not so much to the quantity of income the taxes raise as to the burdensome way they are placed. With a hundred-pound sack of flour on his head a donkey will neither travel far nor fast, but properly balanced on his back, he will do well.

Why do we retain such a complex and onerous tax system? Partly because of indifference and the ever-present greed of speculators—but also largely because educators want it that way. It provides an impenetrable smokescreen which confuses and misleads everyone by justifying a mish-mash of tax sources.

If instead of this purposeful opacity a clear view were permitted, we would discover that the sources for government revenue focus on only three factors—two primary and one secondary. These are land (the material universe), labor (human exertion), and capital (wealth used to produce more wealth).

The three shares of distribution, rent-of-land, wages, and interest, are also sources of public revenue; and while there are technically three shares and three sources, we can, because of the cooperative nature and relationship of labor and capital, treat wages and interest as one fund or source. This combined fund we identify as rewards-of-human effort. We say then that all taxes and rent-of-land publicly collected draw income to government from one or both of these sources—rent-of-land or rewards-of-human-effort.

Taxes relate to public revenue as pumps relate to water in a well, for they are used to draw revenue for the government from only one or both of

the primary sources. If there are only these two basic sources of public revenue why do we need so many pumps? A city may use one pumping station to distribute water to all areas. Governments, no doubt, could disburse revenue similarly—the idea is not new.

The importance of using rent-of-land as a source of public revenue lies in the fact that it does not raise the price of land or labor, or of land- and labor-made products. People are caught in a shameful bind between high priced land and high priced products and services; and the tax remedies currently proposed keep pushing these prices higher. Taxing land location value more, and lowering taxes on improvements and all of man's production, would provide much needed relief in lowering the prices of land and improvements.

Such a tax reform would permit the free enterprise system to function and would increase living standards for all who were willing and able to work.

If we began by collecting as much as 90 or 95 percent of rent-of-land based on full and honest assessments, this would produce tremendous revenue. But since a Gargantuan government such as we have can hardly be supported from this source alone, additional revenue would have to come from the second source, rewards-of-human-effort. That might include three kinds of non property taxes now in use: 1) the income tax applied to wages and interest only, 2) the inheritance tax, and 3) the gasoline tax, which is in the nature of payment for benefits received. Direct charges for particular services might also be generously used.

All government—federal, state and local—should use these same taxes on a sharing basis. In time the income collected by these non land value taxes could and should be reduced. This is not such an impossibility as many believe who are unaware of the benefits that will result from a direct and simplified tax structure. The cost of land needed by the governments at all levels would go down; the cost of materials and supplies to government being taxed less and subject to increased production, would also go down, as well as the cost of welfare aid—since more people could take care of themselves.

Some of our greatest costs result from the misuse of land space due to urban and suburban sprawl, and the needless cost of extending such services as schools, parks, playgrounds, hospitals and utilities. The entire housing program stands in desperate need of correction.

Noah Alper closed his talk with a tribute to Dr. Harry Gunnison Brown, who taught this subject at the University of Missouri for many years. Professor Brown did not espouse the "single tax," but he drew careful distinctions between land and economic science capital. He stressed the importance of collecting rent-of-land for public use and untaxing the improvements and labor/capital products, for he saw clearly that a tax system which destroyed the incentive of those who provided labor and capital while encouraging land speculators, was a drag on productive enterprise.

Following this, Mr. Alper was invited to address the students in three Missouri colleges on the same subject.

**There is nothing more difficult to carry out . . . than to initiate a new order of things. For the reformer has enemies in all those who profit by the old order, and only lukewarm defenders in all those who would profit by the new order, this lukewarmness arising partly from fear of their adversaries . . . and partly from the incredulity of mankind, who do not truly believe in anything new until they have had actual experience of it.—Machiavelli**