

The Truth of Revenue Sharing

by ADELE BUCKALTER

LET us not be confused by the altruistic connotation of this wholesome sounding phrase, revenue sharing, as it is dealt out to us in the press and over the air.

We hear much about the advisability of controlling education, housing, child care, medical services and welfare on a community level. Why then should the revenue for these programs go to a bureaucratic government which will waste the lion's share and permit the rest to filter back to the place of origin. If our ever expanding central government restricted itself to the functions enumerated in Article I, section 8 of the Constitution it would remove itself from all the unnecessary forms of business activity in which it now engages, leaving these to private enterprise which would be able to earn a suitable profit while bringing prices down to the level of the open competitive marketplace.

In a nation where individual freedom of expression has always been encouraged, why is there not more insistence on a return to collection and disbursement of revenue where it is actually used, and why is taxation so little understood? Before the income tax was instituted, that most inequitable levy ever perpetrated on a free people, the principal source of revenue was from land. It was and still is assessed and collected locally. But this property tax suffers from being too familiar. Neglect and failure to correct a tax pattern inherited from abroad has caused sullen acceptance and virtual paralysis. A very simple reform which has been proposed at various times in history, if it had been heeded, could have saved us from some of our present stress.

The well known property tax, when it is laconically and infrequently assessed, is the misunderstood paradox, for it really comprises two very different taxes. One part is on the value of the land or site and the other on the value of improvements, if any—and because of the careless neglect to separate the two we have lost an important link for creating community responsibility and interest. It is the presence of people that makes land valuable. All land increases in value with the increase of population and with the productivity of this population. Thus an ever increasing fund is available for necessary community services.

Local governments are in trouble because they cannot ask taxpayers for any more money to meet their enormous budgets, but they are overlooking in many instances holders of valuable vacant property who are paying relatively little in return for expensive utilities and

services. These are the speculators who are waiting for the big bonanza. They invest nothing but benefit by every costly new improvement that is financed by other taxpayers.

Land, the free gift to all, was used nomadically by early tribes who moved on to newer fields as they used up the grazing opportunities of an older field. Even in the early switch to a more settled agricultural life, land was held and cultivated as common ground by the entire community. American Indians used the land in this way and they could never have imagined anything so unprincipalled as the European concept of private property in land. They willingly agreed to share their land with the newcomers, sadly unaware that they had surrendered all rights to its use. Much of the warfare that followed could be traced to this total misunderstanding.

As population increased some of the early settlers, realizing that the most productive land in the community would soon be in great demand, appropriated the best of it for themselves, often by dispossessing the natives. By holding vast tracts in anticipation of future increases in value they forced new arrivals, in order to find homesteads and good farmlands, to leap over and beyond those lands to more distant areas. As they moved westward new communities were established and the same inequitable practices were repeated.

Local governments, in collecting revenue, have, with very few exceptions; taxed unimproved property at a rate lower than similar land with fine improvements. This has had a strong tendency to retard the improvement of property by those whose income is more than enough for their needs, and who do not need to develop their land but can afford to let it lie fallow or unproductive, to create fortunes for their children or grandchildren.

The important point that has been continually overlooked by the new settlers is that vacant land in a desirable location has the same value as adjoining land which is improved. If the two plots were taxed at the same rate what would be the quick and logical eventuation? Simply this, the person, corporation or foundation that owned this unimproved or underimproved land would no longer find it to his advantage to retain ownership of such parcels. The higher tax would negate any future advantage that might accrue in later years. In order to profit from such land the owner would have to use it productively or let it go by default, as is presently done with land where taxes are in arrears.

As such additional land is made available, the price will seek the level at which it can be developed most profitably. Production will then take place and wages will accrue to the labor employed on it.

This tends toward achievement of full employment and encouragement of new enterprise, because of maximum interest on capital. There is then no need for management of the country's money or for manipulation of the economy by government agencies.

If land were taxed fully, according to its location, the vacant and improved alike, the tax fund could be staggering. Local collection of taxes under such circumstances would render unnecessary the myriad of other taxes, both apparent and concealed, that now plague us. With these eliminated the cost of virtually all products would be lower. At present we pay indirect taxes to the manufacturer who considers this indirect tax a cost of his production like any other and allocates to himself a profit on this expense. Distributors handling his product also add their reward based on its cost to them. This obviously includes the indirect tax the manufacturer has had to pay, plus his profit, as stated.

If these indirect taxes were eliminated and if prices dropped as a result, there would be an increasing need for labor to satisfy the growing demand. A tendency to full employment would result with wages reaching their full potential, eliminating much if not all of the incitement to "job actions," violence and the pressures associated with a dissatisfied labor force.

By this system the hordes of people now employed to devise, explain, collect and adjudicate the present tax system could be deployed to more useful, productive and satisfying fields where additional personnel will be needed to satisfy the increased demand for goods and services.

Once the local government realized the potential wealth under its jurisdiction and established proper assessing methods and accurate records for all to see, the community could emerge from its lowly position and assume the obligation for its own financial needs. Every local community could become responsible and solvent if its property tax structure could be reformed in the manner described by Henry George. It could then share its revenue with state and federal governments and suggest to them that they recover their roles as delineated by the founding fathers.

A newly formed Southern Pacific Land Company will consolidate and accelerate the development of more than five million acres spread over 11 western states, including valuable mineral rights. In 1969 the Southern Pacific had an income from real estate rentals and natural resources of \$23.7 million.

Location value taxation might hasten development of all these opportunities, cutting down the need for other taxes.

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