

Sin Tax or Single Tax ?

by RUSSEL CONKLIN

SELECTIVE sales taxes such as the 27 percent sales tax on cigarettes have great possibilities—think of the many sins we could tax, and think of the fun an army of snoopers could have. A general sin tax however would have actuarial problems—we wouldn't want to tax a particular evil so much that the tax source would dry up.

For taxes are no longer raised only for governmental costs, but they assume a basic function of social and economic control. Primarily, taxation today is used as a means of re-distribution of wealth. It is obvious that present methods have failed to accomplish this purpose, and rising governmental costs due to ever-increasing social and welfare programs cause continuous search for new tax methods. But no matter what new tax device is brought out, the costs continue to be borne by the same people—you and me. Taxes are levied on what we earn, on what we spend, and what we own.

Income and sales taxes on what we earn and spend constantly press on production, discouraging both expansion and investment. On the other hand, taxes on what we own tend to have the same effect unless they are applied in a scientific manner based on the natural laws of economics.

The reform I propose has to do entirely with this third class, namely property taxes. In short, the proposal is to remove all levies from wealth in the form of personal property and to shift as much as possible of real property taxes from buildings and improvements to the economic value of land. Such a reform cannot be instituted in Montana without an amendment to the State Constitution, which now requires that all property be taxed at the same rate. It is true that this constitutional provision is not adhered to in practice.

A Farmer-Labor Institute was held in Great Falls, Montana for the 15th year in 1966. One member of the staff was Russel Conklin, the County Auditor, who spoke on the single tax, adding a few remarks about sin. He also writes frequent letters to the newspapers, addresses various student and business groups, and explains patiently and sometimes humorously in his campaigns, the importance of taxing land instead of improvements.

The chairman was George Hathaway, a graduate of one of Mr. Conklin's classes in basic economics and a convinced Georgist.

We are all familiar with the different rates of assessment, ranging from 7 percent to 100 percent on various kinds of property.

But the constitutional provision is still there and before any basic reform can be accomplished, the constitution must be amended. I introduced such an amendment in the 1961 session of the Legislature, but it didn't get very far. However, the legal aspects of tax reform can easily be taken care of once the people are convinced that such a reform is desirable. Similar reforms have already been adopted by two of the states, Pennsylvania and Hawaii.

Taxation that promotes economic activity affects the welfare of everybody — any tax system that discourages economic activity needs reform.

There are three factors in the production of wealth—land, labor and capital. The rewards of economic activity are divided among these three factors through rent, wages and interest. Obviously wages and interest are the result of individual activity. To tax them is to discourage that activity. To free labor and capital to full expansion these elements should be as far as possible relieved of taxation.

On the other hand, rent (and by this I mean economic rent, ground—

not rent of buildings and equipment) is a community-based factor. It arises as the result of increased population and productive activity. If there were no demand for land there would be no value to land. But as the demand for land increases with the growth and population, and the supply of land remains the same as when Adam and Eve were the only inhabitants, the value of land increases. And it has increased in astronomical proportions. Consider the \$24 paid to the Indians for Manhattan Island, now estimated in the December 30 issue of the Reporter Magazine to be worth \$58 billions. For the \$24 once paid for the whole island, you couldn't buy a square inch today.

All this tremendous increase in the value of land is the result of the community activity—and to tax it for public purposes is only right and just. Every time a landowner improves his land by building a home or business building, or a farmer contours his land, establishes reservoirs, and builds fences and farm buildings, he is creating economic activity that benefits everybody. But as soon as he does so, his taxes are raised, not just once, but every year as long as he owns and maintains his property. An annual 2 percent on a

building means at least a 50 percent tax over the years of its life.

The farmer who lets his land go to weeds, the downtown landowner who permits his buildings to deteriorate, the homeowner who doesn't keep up his house, or the landowner who merely holds his land for speculation—all these are rewarded by lower taxes. The improver is penalized, while the speculator is rewarded. This is harnessing the profit motive backward.

Why can't we apply the same principles of reward for effort that we apply in private affairs to the conduct of public affairs? Land value taxation is the modern, scientific method of collecting community-created values for public purposes. Insofar as it can be applied, it frees individually-created value from taxation. Such a system, once authorized by law, could be gradually applied over a period of years by eliminating personal property taxes entirely and gradually shifting real property taxes from buildings and improvements to land values. As the community grows, land values go up and provide an ever-increasing source of public revenue, meanwhile stimulating production and economic activity by freeing it from the penalties of taxation.



Invitation to St. Louis

"Finding a Better Way" is the theme of the 22nd Annual Henry George School Conference in St. Louis, starting July 20th. This five-day conclave will be held at the Sheraton-Jefferson, a large downtown hotel with a view of the blighted area which no one will mind because too much will be going on inside, where the ghosts of old St. Louis tangle with the new, and the T-bone steaks are grandiose.

Loral Swofford, the St. Louis director, is rocking dizzily with this "better way," and he's out to find it or have the conferees find: the better way to reach prospects, class leaders, graduates, and even "the weaker sex." There's no stickier place to do this bit of research than in the vast hostelry on 12th Street which, knowing all, tells nothing. Let's hope the big boys know what they're doing!