

Alternative Revenue Source Funds Government Without Taxation

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Unsolved economic problems abound. Poverty rages amidst plenty. The gap widens between rich and poor. Urban sprawl invades our environment and exhausts natural resources. Some "economists" claim poverty causes most economic ills (hunger, homelessness, drug addiction, crime, urban sprawl and the like). Not so. Rather than being *causes* of anything, poverty and other economic problems *result* from our failure to understand and apply properly the economic law of the "Three Factors of Production". That law states that all wealth is produced by the combination of "land" (which gives rise to "rent"), "Labor" (to "wages"), and "Capital" (to "interest").

Please focus on the first factor, Land (locations). The presence of people *around* a location — not the location *owner* — produces rent. We wrongly award landowners the locations' rent values (they're enormous) as "*unearned income*", rather than put them into the pockets of those who earn them, namely the people who work around the locations!

Henry George (1839-1897) pointed out how our ignoring and/or violating the economic law dealing with the rent of land *causes* poverty and other economic ills, and will do so until we remove that cause. He analyzed the problem and advocated its solution in his 1879 masterwork, "PROGRESS AND POVERTY". (It's been said that no one can call himself or herself an economist if he or she has not read, and does not understand, this book.)

George advocated that we untax all human labor and its products, and, instead, derive all public revenue from a "single tax" on "land values". His thesis was sound, but his choice of the words "tax" and "land" led to a distortion of his intended meaning. For, what he proposed is not a "tax on land values" at all, but a *charge on location values*, for which the one who pays gets full equivalent value in return. George carefully defined all his terms, stating each would mean precisely the same thing every time he used it, and said, in effect, that by "land" he meant the physical earth and all its natural resources, untouched by humans. Most modern economists, however, think of "land" only as the soil of the earth's surface. By "land", George actually meant the *locations* on the earth,

whether on land, on water or in the air (the latter including the "electronic spectrum", a natural resource not even imagined in George's day).

This paper seeks to clarify Henry George's concept, and to redefine several of his terms to convey his true meaning. To recap, he proposed to abolish all taxation, as such, and to derive all public revenue from a single *charge on location values*. He reasoned that those who get those enormous rent values should pay a fair charge for them. He didn't seek the change just for the sake of change, but rather *as the means by which to abolish involuntary poverty* and other economic woes, and yet fully to fund all needed government — with every person to keep all he or she produces, and therefore earns.

Democratic government is the framework within which civilized people (the public) seek to live in harmony and satisfy their desires. They must reimburse those they elect to operate government from "public revenue" — that fund which they make available for public purposes.

In our United States, the government is "of, by and for the people". We empower elected officials to appropriate funds which become public revenue. They choose a public revenue *source* — then tap that source for budgeted funds. Ideally the revenue they so appropriate should equal exactly the total of the government's planned expenditures. It has not, however. Waste and overspending have caused, and continue to be the primary causes, of our huge annual deficit and national debt, both of which should be eliminated.

Public revenue can be derived from only two sources — *there are no others!*

One source — the *wrong* source, but that usually tapped by governments, — is "taxation". In whatever guise, in whatever amount, for whatever purpose, taxation is an unjustified form of revenue. It takes from producers/earners what is rightfully theirs, and gives it to others, who have not earned it. It is, in fact, robbery, and thus is wrong, despite silly man-made statutes that make it "legal". No matter that taxes rob the "rich" to pay the "poor" (which some believe "fair"). Taxation is still robbery. And it's still wrong!

The other public revenue source — the only *right* source — is the economic value of the earth's locations. That value is created by the very existence of people *near* those locations. The more people, and the higher

their quality, character and industry, *around and/or near* any location, the greater its value. Exit all humans from *around* any location, and it's economically worthless. With no people *near* a location there's no need for "government", and thus no need for public revenue.

Since people, simply by existing, create their own public revenue source — *location values* — they need only collect those values, *instead of punitive "taxes"* as the revenue to fund their government. As of now, those enormous values (estimated by some in the multi-trillions of dollars) go *unearned* into the pockets of location owners as "rent". It is the tribute title-holders extract from those who live on and from locations. People are denied the same free and equal access to the earth and its natural resources (the source of all wealth) that's now enjoyed by the title-holders.

When title-holders *produce*, and earn from their locations, there's no problem — no inequity — no injustice — and no quarrel, so long as they pay their community the rent due at those locations. However, *when they hold the locations out of use, for speculative gain*, and deny access to others who *would* produce from them, economic injustice arises. Those *not* owning locations on which they live and/or work must pay tribute to those who do. As they pay, they are thus deprived of the value they (the *non-owners*) produce with their labors. Then, to further exacerbate their plight, they are "taxed" (*robbed* of their legitimate earnings) to fund necessary (and often *unnecessary*) government.

To correct this glaring injustice, and thus remove the principal cause of poverty and other economic ills, we need only change our public revenue system so the public collects the location values it creates — *instead of "taxes"* — via a location value *charge* (note — *this is not a "tax"*). These funds fully finance government. We need simply to shift the revenue burden from labor and its products to location values. To repeat — the people levy a just annual charge (again not a "tax") against the location owners, *who then get just what they pay for* — *exclusive possession and use of their locations*. The charge will be very light (perhaps even zero) in sparsely populated or unpopulated areas where little or no government is needed, and very heavy (millions of dollars per acre or more) in densely populated cities where multi-gov-

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ernment services are available and in enormous demand.

Consider these reasons why location values are the only right and just source for public revenue. (For occasional brevity, we'll call the location value charge "LVC"):

1. All government services, (roads, streets, sidewalks, sewers, schools, police and fire protection, tornado warning systems, trash collection, to name just a few) apply ultimately to locations. The more and better government services available to any location, the more valuable is that location. And the surrounding public (*not the location owner*) creates that value!

2. No location, or its value, was created by those who hold title thereto. The value of any location arises solely from the presence, character and activity of the people *around and near it*. Therefore, no one can claim good title to a location or its value, except wrongfully, by conquest, stealth or fraud (or by purchase from someone with a defective title acquired from such person) — or *rightfully*, by paying its economic value to those whose presence and activity *around* the location created its value.

3. Humans can't live except on and/or from the earth's locations and the products derived therefrom. That's basic natural law.

4. All earth's locations are permanent. They were here, where they are now, when the earth was created. They cannot be moved, hidden, replaced, nor increased or decreased in number or size.

5. Ownership of any location is valid and just, provided only that its owner pay its value *to those who create it*, (the community *around it*) via an annual charge for the value that owner receives. The charge will be very high (perhaps millions of dollars per acre per year) for a location in a densely populated metro area, and very low or nothing at all for a remote location where few or no government services are available or needed. When one purchases a car, one pays an agreed upon *price*, which is not a "tax", to the one with good title to convey. When one rents or leases an apartment one pays an agreed upon rental or lease (again, *not* a "tax") to the lessor. So, too, location titleholders should pay an annual location value charge, and no one penalized with "taxes".

6. The LVC is just and equitable because the payer gets precisely what he or she pays for — the exclusive possession and

use of a valuable location, and please note — *the payment is voluntary!* No one is forced to own a location or to pay for one to which he or she does not get good title. Contrast this with a punitive "tax", for which the payer not only does not get what he or she pays for, but is *additionally* forced to pay punitive "taxes" from legitimate earnings, under penalty of a fine or imprisonment or both.

7. As said above, no one need "own" a location. Any person may live in a rented apartment, and conduct business from a rented office or other facility, and pay no LVC *directly* — and no *direct* "tax", either. However, the apartment or office building owner, *if he or she owns the location beneath it*, will include the amount of the location value charge in the building rental or lease. Thus, the lessee pays his or her "fair share" of the public revenue *indirectly!*

8. Remember, also, that the LVC is "instead of" — not "in addition to" — taxes. Taxes, as such, will eventually be *abolished!*

9. LVC satisfies both the "ability to pay" principle and the "value received" principle. For, who is better able to pay than those who "own" the storehouse that is earth, from which all people must obtain all wealth? And certainly the one who pays does get full "value received" in return for the payment he or she makes.

10. LVC is the easiest of all sources from which to derive public revenue —

10.1. It is easiest to assess, as it need be the *only* thing assessed. A location need not even be visited. Its economic value can be readily determined by a study of its position on a map, as it relates to the surrounding community, its people, their industry and their character.

10.2. It is the easiest thing on which to levy a just charge. If the charge is too low, potential owners will try to outbid each other to get title. If the charge is too high, the location will "go begging". Its value is determined almost automatically.

10.3. Collecting the charge is easiest of all. As the location can't be moved, enlarged, diminished in size, nor hidden, the title-holder must pay up, or be evicted, releasing it to someone who will.

11. Under LVC, no one is robbed of a penny of what he or she produces and/or earns. Each person keeps not only "more" of what he or she earns, but *all of it!*

12. The LVC system produces far more than enough to fund all needed public revenue and all social services opted for,

with plenty left over for the title-holder still to reap substantial wealth without lifting a finger to earn it. This is proven fact. (Check out Arden, Delaware and Fairhope, Alabama.)

13. Jurisdictions world-wide already using the LVC public revenue source are, in the main, experiencing growth, success and prosperity.

14. Heavy LVC in metro-centers brings people into those centers, and thus greatly *reduces the urban sprawl that's eating away our precious open green space!*

15. No sensible person, under LVC, will hold vacant a lot or operate a ground level parking facility in a mid-town metro area, next to a same-sized plot on which stands a 50-story building, because the vacant lot will draw the same LVC levied against the location under the adjoining building. The vacant lot owner will either create wealth from it (erect a profit-generating building or produce in some other fashion), or he will relinquish it to someone who will. Why levy the same charge for the vacant lot as for the one beneath the adjoining building? Because *both lots get exactly the same government services!* (streets, sidewalks, police and fire protection, sewers, etc., etc.) The LVC is levied to pay for the government services rendered to the location, no matter what is on, or not on, the *location*.

16. LVC means "tax abatement" on buildings and improvements for all time and for everyone, not just for a few years for wealthy developers who, under our present real property taxing system, get ever wealthier at the expense of others who get no abatement "tax breaks". And, as of now, those whose buildings aren't tax-abated, must pay higher "taxes" to make up for the loss of tax payments avoided by owners of abated buildings.

17. In most states, buildings and improvements already are assessed separately, although usually at the same "real property" tax rate. Gradually decreasing the *taxes* on buildings and improvements, while simultaneously raising the *charge* on the locations, until the locations alone bear the entire real property revenue burden, is simplicity itself.

18. LVC strongly encourages personal industry and wealth production, because wealth producers may keep all they produce. In contrast, punitive taxes on buildings and improvements discourage — actually stifle — not only new construction,

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but also the proper maintenance of older structures, on which renovations and improvements are promptly the target of higher taxes. In fact, real property owners routinely tear down old and dilapidated buildings in order to "save taxes".

19. Since there will be no "taxes", there can be no "tax exemptions". And as no location can be moved nor hidden, there can be no such thing as "tax loopholes" or "charge loopholes" or other "gimmicks" to enable one to avoid paying one's just share of the public revenue. The location is in plain view of anyone who looks. Simply levy the legitimate charge for it on the one who has title.

20. LVC will operate to eliminate eventually the budget deficit and insure a balanced budget at all times. The public revenue authority designs the total expected revenue from the location value charges to equal exactly the budgeted expenditures. It's a pay-as-you-go system. If next year's budget is set at ten percent above this year's, all location value charges will simply be increased ten percent for next year, and the budget again will be in balance.

21. Huge areas of valuable locations presently are held by absentee landlords, many of them foreign land speculators. That's O.K. Simply charge the absentee owners the legitimate rate commensurate with their location values. Not only will much of our public revenue then be paid by speculators (many of them aliens) living away from their locations, but their penchant for buying up U.S. locations will disappear promptly. They won't buy choice locations whose increasing values will go not into their own pockets, but into the treasuries of the communities which create them. Or, such absentee location owners will produce from their parcels (to more than offset the charges), thus creating jobs, generating wealth and alleviating poverty and its attendant economic ills.

22. The levies against location values cannot be "charged off against the cost of production" or "passed on to the consumer". Of course, if the site owner erects buildings on his plot, and rents them to others for homes, stores, offices, factories, etc., he'll include, in his rents for them, an amount to more than offset his location value charge. However, — if he leaves his location vacant (planning to pocket the escalating values the surrounding community will create in his location), he can't charge

anything off to his "cost of production", because he isn't producing anything! Nor is there anything he can pass on to the consumer, as there is no "consumer" of a vacant lot!

23. LVC will tend to reverse completely the ever-widening gap between the unjustly rich and the involuntary poor, because locations held for speculative increases will now become available at reasonable prices, opening up opportunities to millions on the same basis as for everyone else. LVC will tend to equalize the opportunity for wealth for all people, whose earnings will then be determined only by their own industry and productivity.

24. LVC is non-partisan — completely neutral as regards race, gender, age, color, religion or any other human factor, including political preference. Liberals, Conservatives, Democrats, Republicans and a myriad of other political philosophies embrace LVC. Pennsylvania, the one U.S. State which now (1997) employs a measure of LVC (some 17 cities there now flourish under LVC in one degree or another) often has been largely Democratic. At the same time, many Republicans point toward LVC as the public revenue system which will help to eradicate poverty and our other major economic ills, while at the same time generating all needed public revenue and reducing/eliminating public debt and the national deficit.

25. Best of all, in the minds of many, LVC will do away with the insidious and frightful Internal Revenue Service. Can anyone imagine what an economic stimulant that will be nationwide? Not only will billions of dollars be saved by citizens in the punitive tax payments which now maintain our myriads of IRS offices and agents, but the "over-your-shoulder" and "in-your-face" prying and spying by the IRS will be a thing of the past. IRS officials and agents will have to do what the rest of us do -- find some productive work.

Those questioning the validity of Henry George's concept need only check out the appalling economic injustices rampant in any country on earth, especially third world countries. In Haiti, said to be the world's poorest country, the media focuses almost exclusively on the abject poverty of the street people. Not once do reporters look for its cause, namely the enormous wealth and power of the few elitist country estate owners (who own the rest of Haiti, too), whose obscene wealth comes from the peasants for the privilege of living on "their"

land. Then they heavily "tax" those same peasants, who thus are doubly harassed. The Dominican Republic is reportedly owned by 19 wealthy families, to whom all other Dominicans must pay tribute (rent) — plus "taxes". And it's the same in Mexico, where a very few monstrously wealthy families own the entire country. The same injustice underlies the economic chaos prevalent in most all countries world-wide.

The American founding fathers and their forebears had fled the despotism of Europe's kings, lords and land barons, whose countries sagged in feudalism. Under it, all serfs, vassals and others subservient to the sovereigns and their landlords paid them tribute, under pain of imprisonment, torture, or even death. Further, if such underlings dared build houses and other structures on their rented plots, title to those buildings reverted also to the landlords. This unjust system prevails right now, here in the United States, because our founders took possession (or were "given" exclusive ownership by Europe's sovereigns) of the land (locations) in what, to them, was a "new world".

From whence did Europe's sovereigns get "good title" to the lands they so generously bestowed upon North America's settlers? *They wrested them by force, killing and/or enslaving those who were here before them!*

We may not recognize it (or we may choose to ignore it), but we presently live under the same feudal system that plagued Europe before our nation was born, because we who do not "own locations" must pay tribute (location rents) to those who do. If we build houses (which are really personal property, because *humans erect them and they can be moved!*) our statutes dictate that they become a part of the "real property" and thus belong not to us, but to the location owner. We won't escape from this modern day "feudalism" into real economic freedom until all of us enjoy the same free access to the earth and its vast resources on the same basis as do all others. And that escape can come about only when we abolish all punitive taxes and set up a public revenue system under which all persons pay for what they get and get all of what they pay for. Changing to a location value charge to replace our out-dated, outmoded, unjust and punitive taxation system is the only road to economic justice and freedom.

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