The Real Explanation for the Tax Rebellion and the Size of Government

H. William Batt, Ph.D., February 16, 2011

The antipathy toward taxes, and by extension toward government itself, has its roots, I believe, in a distortion of economic theory that took place a century ago. Prior to that time, there was a tacit, if not explicit, understanding that the wealth and bounty that grew from common effort along with the gifts of nature should be the source of finance recaptured by society and used to pay for public services. Since surplus economic productivity is jointly produced, it was the proper source of taxation. Only government can appropriately provide these services since they are in today's language "public goods." On the other hand, wealth that was created by the people's own brains and brawn was rightfully theirs and theirs alone. Taxing people's labor, or the products thereof, was not only wrong but was tantamount to theft.[1]

Today the resentment people feel about taxes on their hard-earned money has reached a point close to delegitimizing the income tax and government itself. Estimates of actual tax cheating are put at about 15 percent, but fully half the population believes that it would be okay to cheat if one wouldn't be caught.[2] It has taken over a century for this all to explode. But taking the long view of tax history one could argue that this is not only understandable but also inevitable. Had economic arrangements been done as they were in earlier times there would likely be far less such resistance to taxation and perhaps even a sense of social duty to pay one's share of taxes.

In classical economics, which had its formal beginnings with Adam Smith, moral philosophers viewed production as arising from three factors: land (by which was meant any part of nature), labor, and capital goods (which were essentially tools). Labor was paid in wages, capital in interest, and the yield of or payment for land was reflected in rent. Rent, or "land rent," from the time immemorial was understood in almost all civilizations. It was paid to the community (or to kings or lords as the case may be) in the form of labor (corvèe), as a portion of a crop, as tribute goods or in coin. Most historical accounts today put it at roughly a third of a society's total production. The French Physiocrats who inspired Smith's ideas also estimated rent at about a third.[3] Vestiges of rent payments in feudal societies exist in the form of stories and verses that

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[1] To be sure, there are earlier instances of the income tax noted in history, but these were largely regarded as other means of capturing the income from rents, which accrued from the landholdings of wealthier people. For further exploration of this, see W. Elliot Brownlee, *Federal Taxation in America: A Short History, New Edition*. (Washington: Woodrow Wilson Center and Cambridge University Press, 2004.), pp. 50 ff; and Clifford Cobb and Jonathan Rowe, "How the Income Tax Became a Tax on Labor," Redefining Progress, San Francisco, and online library, www.schalkenbach.org.

[2] See this author's paper, "Tax Regimes that Don't Invite Corruption," presented at the Eastern Economic Association Conference in New York City, Saturday, February 26, 2011, forthcoming in the online journal, The International Journal for Transdisciplinary Research, www.ijtr.org.

[3] See, for example, Marc Bloch, *French Rural History: An Essay on Its Basic Characteristics*. (Berkeley: University of California Press, 1966, 1970) p. 72; H.S. Bennett, *Life on the English Manor: A Study of Peasant Conditions, 1150-1400*. Ch. V: "Rents and Services," pp. 97-125, *passim* (Cambridge: Cambridge University Press, 1937, 1971); Paul Bairoch. *Cities and Economic Development: From the Dawn of History to the Present*. (Chicago: University of Chicago Press, 1991, p. 283. Gerhard Lenski notes, however, that the Chinese Gentry was able at times to collect as much as 40-50 percent of the land yield as rent (*Power and Privilege: A Theory of Social Stratification,* New York: McGraw Hill, 1966, p. 226 and more generally in Ch. 9. Francois Quesnay, one of the most notable of the French Physiocrats, estimated economic rent "to be about one third of the 'net product according to Marc Blaug, *Economic Theory in Retrospect, Fifth Edition*. Cambridge U Press, 1997, p.29. For still further discussion of this, see H. William Batt, "Taxable Rent, More than Enough: After Professor Gaffney." Forthcoming, Winter, 2011-12. Systems of rents can be traced to ancient times. On manners of payment, see the series of conferences of International Scholars on Ancient Near Eastern Economies. Volume 1: Michael Hudson and Baruch A. Levine (Ed.) (1996). *Privatization in the Ancient Near East and the Classical World*. Peabody Museum of

have come down to us. We all know

Bah, Bah black Sheep, Have you any Wool? Yes Sir, Yes Sir, Three Bags full.
One for my Master, One for my Dame; One for the little boy that lives down the lane.[4]

The part for the "Master" was rent.

But the concept of rent as economists use the term, or ground rent as it is often called, has all but disappeared from common discourse today.[5] And this rent, the volume of which is reflected by location and market vitality, was folded into capital in definitions and formulas that resulted in two-factor rather than three-factor economics. Arguably, economic theory was only catching up with the reality of land becoming a market commodity, just as it disappeared from what was earlier "the commons." This historical transformation, or "enclosure,"[6] now marked with an owner's title land that had heretofore belonged to everyone, even if was in the name of a lord or king. As a commodity land had no more special standing than any other item of property, and became similar to clothing, cookware, armor or tools. Rent still flowed through land sites, but it was no longer collected to support public financial needs. Today we are seeing the further privatization of the commons as it becomes demarcated, quantified and priced. Water is being privatized in many nations; the electromagnetic spectrum is for all practical purposes privately owned although formally public property. And now even the air is being sold to utility corporations to be used as their pollution sinks, without regard to the common assumption that the air belongs to all of us. One could go on.[7]

All the early political economists from Smith, through Thomas Malthus, David Ricardo, and John Stuart Mill, accepted that land value, reflecting the places of community enterprise, was the most appropriate tax base. Because the value of any one site's activity was explained by the total community's or region's market vitality, Smith argued that “Ground-rents and the ordinary rent of land, are . . . the species of revenue which can best bear to have a peculiar tax imposed on them."[8] This is because the market value of your plot is due mostly to the value and activity of

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Archaeology and Ethnology, Harvard University; Volume 2: Michael Hudson and Baruch A. Levine (Ed.) (1999). *Urbanization and Land Ownership in the Ancient Near East*. Peabody Museum of Archaeology and Ethnology, Harvard University; Volume 3: Michael Hudson and Mark van De Mieroop (ed.), 2002: *Debt and Economic Renewal in the Ancient Near East*. Bethesda, MD: CDL; Volume 4: Michael Hudson and Cornelia Wunsch (ed.). 2004. *Creating Economic Order: Record-Keeping, Standardization, and the Development of Accounting in the Ancient Near East*. Bethesda, MD: CDL; and Volume 5: Michael Hudson and Cornelia Wunsch (ed.) *Free Labor in the Ancient Near East* (forthcoming).

4 This rhyme is traceable to France as well, as far back as the 17th century. See Wikipedia and other sites.

5 Just about any basic economics text will cite a number. “Rental income is $7.9 billion of a total GNP of $5,234 billion, or 1.5 percent.” Table 7-5, p. 137. Baumol and Blinder's *Economics: Principles and Policy, Fifth Edition*. Harcourt Brace, 1991. “Rental Income was 4.7 billion, or 0.079% of GDP in 1992.” Table 22.3, p. 559. Karl Case and Ray Fair, *Economics, Third Edition*. Prentice Hall, 1994. “Rent is 1% of U.S. economy in 2004”. p. 283. Paul Krugman and Robin Wells, *Economics*. New York: Worth Publishers. See also: Todd G. Buchholz, *New Ideas from Dead Economists: An Introduction to Modern Economic Thought. Revised and Updated*, New York: Penguin Plume books, 2007, p. 86; and Gregory Clark, *A Farewell to Alms: A Brief Economic History of the World*. Princeton U. Press, 2007, p 198-199.

6 After over half a century, the greatest single account of this period remains Karl Polanyi's book, *The Great Transformation: The Political and Economic Origins of our Time*. New York: Reinhart, 1944.

7 On the continued privatization of the commons, see: James Ridgeway, *It's All for Sale: The Control of Global Resources*. Durham: Duke University Press, 2004; *Silent Theft: The Private Plunder of our Common Wealth*. New York: Routledge, 2003; and www.onthecommons.org. For this author's interpretation, see "Saving the Commons in an Age of Plunder, on www.wealthandwant.com.

8 Adam Smith: *Wealth of Nations*, Book V, Ch. II, Part II, Modern Library Edition, pp. 795-796.

your neighbors. Mill too saw that taxing land rent not only fostered a more productive economy; he also believed that it was far more just. "Landlords," he observed, "grow richer in their sleep without working, risking or economizing. The increase in the value of land, arising as it does from the efforts of an entire community, should belong to the community and not to the individual who might hold title."[9] He called the private retention of publicly created rent the "unearned increment." British statesman William Gladstone called it "lazy income." Today we refer to it as the windfall gain that is the object of land speculators the world over.

California Professor Mason Gaffney recounts all this in an important 1995 book, the title of which is *The Corruption of Economics*.[10] It was the banks and the railroads together that persuaded the nascent economics profession at the end of the 19th century that land was an ever diminishing and even trivial factor of production in a growing industrializing society, and that a more suitable and efficient form of revenue capture was to be had by taxing income. In the post Civil War period, land speculation throughout the nation was rampant, and almost all our political leaders were engaged in it.[11] The railroads, which held some of the priciest land around, stood to gain most by zeroing out this asset against the debt incurred by purchase of rolling stock. So their corporate taxes were thereby reduced. When taxes were not collected from the flow of land rent, property parcels had a higher capitalized market value, and required higher bank loans when bought and sold. This now brought them more profit. The last great defender of the classical economic tradition was Henry George.[12] He argued that taxing the rent on land value alone, what he termed the "single tax," would be sufficient in and of itself to support public services. In the face of both vested interests and a growing guild of professional economists, he lost the fight. He died young, at 57, in 1897 but not before becoming as noted as Thomas Edison and Mark Twain. His book, Progress and Poverty, written in 1879 had by 1906 sold more copies than any book except the *Bible*.

Today's economics textbooks usually begin by mentioning the three factors of production, but seldom pay further attention to land thereafter. Moreover, they trivialize the amount of rent as an element of the nation's economy, typically counting it as about one percent of GDP.[13] Those numbers come from our own government's accounts, which ignore several kinds of rent such as that imputed to owner-occupied homes, and that which is hidden in capital gains transactions. One should note that in Australia, where books are kept a bit differently, economic rent has been

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[9] John Stuart Mill*, Principles of Political Economy*, bk. 5, chap. 2, sec. 5.

[10] Mason Gaffney, *The Corruption of Economics*, Shepheard Walwyn, 1995, and http://homepage.ntlworld.com/janusg/coe/!index.htm

[11] Several recent books have been issued on the history of land speculation: These books particularly should be mentioned for their advancement of the historical and legal perspective: John C. Weaver, *The Great Land Rush and the Making of the Modern World, 1650-1900*. Montreal: McGill-Queen's University Press, 2003; Victoria Freeman, *Distant Relations: How My Ancestors Colonialized North America*. Toronto: McClelland and Stewart, 2000; Ronald Wright, *Stolen Continents: 500 Years of Conquest and Resistance in the Americas*. New York: Houghton Mifflin Mariner Books, 1992; Stephen Aron, *How the West was Lost: The Transformation of Kentucky from Daniel Boone to Henry Clay*. Baltimore: Johns Hopkins University Press, 1996; Stuart Banner. *How the Indians Lost Their Land: Law and Power on the Frontier*. Cambridge: Harvard University Press, 2005; Richard Kluger, *Seizing Destiny: The Relentless Expansion of American Territory*. New York: Random House, 2007. Alfred N. Chandler's *Land Title Origins: A Take of Force and Fraud*, published by the Georgist-oriented Robert Schalkenbach Foundation in 1945, anticipated all of these.

[12] Henry George, *Progress and Poverty: An Inquiry into the Cause of Industrial Depressions and of Increase of Want with Increase of Wealth: The Remedy*. 1879, and afterwards.

[13] See Note 5, *supra*.

calculated at upwards of thirty percent of the economy.[14] It seems to have grown over time and may be much higher. Why it is so difficult to measure becomes clear by the following explanation.

It also helps to understand that all revenue streams are ultimately shifted to ground rent. Put differently, whatever rent is identifiable as such is always net of taxes paid, and that all taxes in the final analysis come out of land rent. To land economists, this has been abbreviated by the acronym ATCOR: All Taxes Come Out of Rent.[15] The claim that governments must rely on multiple tax regimes – sales, income, and property, for example − and should ideally be balanced so as to form the proverbial "three legged stool" is without foundation, and reflects a lack of understanding of how tax burdens are passed through the society − what economists call "tax incidence."[16]

But if all taxes ultimately come out of rent, what difference does it make from which factor of production a tax is levied? The answers have been amply shown. When other factors of production are taxed, there are several downside effects, especially by what is called "deadweight loss." Taxing land rent is free from all such flaws. These are not insignificant. Harvard economist Martin Feldstein figures the deadweight loss of the income tax to be about thirty percent of the before tax income and fifty percent of after tax income if Social Security included.[17] Taxes on the sale of goods appear to have comparable effects. Other studies show the total productivity loss of our existing tax structure to be about a tenth of total GDP. Put differently, if taxes didn't damp economic productivity, we'd all be about ten percent wealthier as a society. There are also other detrimental features of taxes imposed on labor and capital goods.

Not only do taxes on land value have no deadweight loss whatsoever, they comport moreover with all the textbook principles of sound economic theory enumerated since the time of Adam Smith.[18] Taxes on rents from natural resources are the perfect tax. They don't influence market choices. They are easily collected and impossible to evade. They are commensurate with one's ability to pay, and they are easily visible for all to see. We could, if we only would, tax only the rental value of such resources and have sufficient revenue to support all government services, and then abolish taxes on people's labor and all the products of their labor. Substituting community created ground rent for those other noxious taxes would be far more defensible as a revenue source. Again, the community would recapture that which has been collectively created by the community.

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[14] See, for example, Terry Dwyer, "The Taxable Capacity of Australian Land Resources," in *Australian Tax Forum*, January 2003. http://www.prosper.org.au/Documents/TaxableCapacity.pdf; See also Steven Cord, "How Much Revenue Would a Full Land Value Tax Yield? Analysis of Census and Federal Reserve Data," *American Journal of Economics and Sociology*, Vol. 44, No. 3 (July, 1985), pp. 279-293.

[15] This has been explicated most thoroughly by Professor Mason Gaffney using the acronym ATCOR. Mason Gaffney, "The Hidden Taxable Capacity of Land: Enough and to Spare," *International Journal of Social Economics*, Vol. 36:.4 (2009): 328-411.See also http://www.wealthandwant.com/themes/ATCOR.html (Accessed September, 2010), and Henry Law, "Who Actually Picks Up the Tax Bill? 1992, at http://www.landvaluetax.org/theory/who-actually-picks-up-the-tax-bill.html (accessed February 19, 2011.

[16] See also H. William Batt, "The Fallacy of the 'Three-Legged Stool' Metaphor" *State Tax Notes,* 35(6), 2005, 377- 381 http://www.cooperativeindividualism.org/batt_on-tax-policy.html

[17] Martin Feldstein, "Tax Avoidance and the Deadweight Loss of Income Taxes," *Review of Economics and Statistics* (November, 1999). Online at www.cooperativeindividualism.org/feldstein_martin_deadweight_loss.html. Professor Gaffney explore deadweight loss, also called excess burden, in the same article in note #15 above. Excess burden has been given the acronym EBCOR: "Excess Burden Comes Out of Rent."

[18] For further discussion of the textbook principles of sound tax theory as they have evolved over the years, See http://www.progress.org/cg/battprincip02.htm. See also George Break, "Taxation," *Encarta Encyclopedia by*

These ideas have been around for over a century now, and even the contemporary textbooks usually give a nod to their existence. I became a convert to these ideas when I realized that we could test the validity of such claims using computers and available data. Ideas that had for so long been largely dormant are now shown as demonstrably true. There are some places where the land value tax instituted a century ago still exists, a vestige from an earlier era when argument alone could win the day without empirical evidence. Now, with empirical proofs and computer simulations, there has been a resurgence of interest in taxing land values worldwide. In the US, some twenty cities in Pennsylvania are shifting from a conventional property tax to one on land alone, maintaining revenue neutrality. Other nations are discussing it seriously. Ireland begins its land value tax January 2012. Reports are coming out monthly showing the virtues of a shift to taxing land rents.[19] Nobel prize-winning economists are now endorsing it.[20] Even some political

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Microsoft, 1993; "Principles of Taxation, in Light of Modern Developments," Washington: Federal Tax Policy Memo, The Tax Foundation; "Principles of a High Quality Revenue System," *Tax Notes*, March 21, 1988; David G. Davies, *United States Taxes and Tax Policy,* (New York: Cambridge University Press, 1986), pp. 17-19; and David Brunori, *State Tax Policy: A Political Perspective*. Washington: Urban Institute Press, 2001, Ch. 2. State studies cited above also typically list any or all of these criteria. I have seen accountability, balance, certainty, competitiveness, and complementary included as well.

[19] For an continually updated account of American cities phasing in land value taxation, see www.urbantools.org. Altoona, PA, is the first city in United States to totally phase out its taxes on improvements and raise its revenue solely from its tax on the value of land sites. For further instances worldwide, see Robert Andelson (ed.) *Land Value Taxation Around the World*. Schalkenbach Foundation, *AJES* Vol. 59, N. 5. Supplement 2000.

[20] Several Nobel laureates in Economics are also on record, their political philosophies running from Right to Left.
Paul Samuelson: "Pure land rent is in the nature of a 'surplus', which can be taxed heavily *without distorting production incentives or efficiency*." (emphasis in the original). A site value tax can be called "the useful tax on measured land surplus." Edition Seventeen, 2001, pp. 267-269.
Milton Friedman: "In my opinion the least bad tax is the property tax on the unimproved value of land, the Henry George argument of many, many years ago." *Human Events*, November 18, 1979. "I have generally compromised with Georgites [*sic*] by agreeing that a pure land tax is one of the least bad taxes possible." Milton and Rose Friedman, *Two Lucky People: Memoirs*. Chicago: University of Chicago Press, 1998, 431.
Herbert Simon: "It is clearly preferable to impose the additional cost on land by increasing the land tax, rather than to increase the wage tax — the two alternatives open to the City (of Pittsburgh). It is the use and occupancy of property that creates the need for the municipal services that appear as the largest item in the budget — fire and police protection, waste removal, and public works. The average increase in tax bills of city residents will be about twice as great with wage tax increase than with a land tax increase." Letter to the Pittsburgh City Council, December 13, 1979. Archived in the Herbert A. Simon Collected Papers, Carnegie Mellon University Library.
James Buchanan: "The landowner who withdraws land from productive use to a purely private use should be required to pay higher, not lower, taxes." "The Economics and Ethics of Idleness," in Joseph A. Giacalone and Clifford Cobb (ed.). *The Path to Justice: Following in the Footsteps of Henry George*. Malden, MA: Blackwell Publishers, 2001; published with a slightly different title in James M. Buchanan, *Ethics and Economic Progress*. Norman: University of Oklahoma Press, 1994: 112-128.
William Vickrey, His strong support is found in many articles: four in Kenneth C. Wenzer (ed.), *Land-Value Taxation: The Equitable and Efficient Source of Public Finance*. (Armonk. NY: M.E. Sharpe and London: Shepheard-Walwyn, 1999): one in Joseph A. Giacalone and Clifford Cobb (ed.). *The Path to Justice: Following in the Footsteps of Henry George*. (Malden, MA: Blackwell Publishers, 2001); and Part V in the selected papers of Vickrey in *Public Economics*, edited by Richard Arnott, et al. (Cambridge: Cambridge University Press, 1994).
James Mirrlees, has endorsed taxing rents in *Dimensions of Tax Design:* The *Mirrlees Review* (London: Oxford University Press, 2010). Ch. 6: "The Taxation of Land and Property."
Joseph Stiglitz, "One of the general principles of taxation is that one should tax factors that are inelastic in supply, since there are no adverse supply side effects. Land does not disappear when it is taxed. Henry George, a great progressive of the late nineteenth century, argued, partly on this basis, for a land tax. It is ironic that rather than following this dictum, the United States has been doing just the opposite through its preferential treatment of capital gains." *Principles and Guidelines for Deficit Reduction*, Roosevelt Institute Working Paper No.6 (Dec. 2010): 5. Elsewhere he has explained, "The main, underlying idea of Henry George is the taxation of land and other natural resources. At the time, people thought, 'not really that too,' but what was underlying his ideas is rent associated with things that are inelastically supplied, which are land and natural resources. And using natural resource extraction and using land rents as the basis of taxation is an argument that I think makes an awful lot of sense because it is a non- distortionary source of income and wealth." Redefining the Washington Consensus: An Interview (2002) of Joseph Stiglitz, by Christopher Williams,

leaders, always the last to voice approval of a new idea, are now giving it credence. And numerous studies elsewhere have validated and echo Adam Smith's original assertion almost 240 years ago and Henry George's more recent advocacy.

Such a shift here would not be hard to institute. Assessors are required by law to separately list the value of the land component from the total parcel market worth.[21] We need only shift the tax burden from the total to the land alone on a revenue neutral schedule. Computer technology now allows us to accurately assess the market value of land sites separately from any buildings. Not only would such a shift relieve most homeowners of undue tax burdens − the difference would be picked up largely by high value vacant and underused parcels in urban cores, and tenants, mainly poor people, would pay nothing at all, since a land value tax cannot be passed forward. Furthermore, it has been amply shown that any tax on a fixed supply base actually fosters economic vitality: the old saw that taxes debilitate market activity has an exception in any tax on what economists call an inelastic base.[22] In one such study, two comparable cities measured by the number of building permits per capita − one with a land value tax and one without − showed profound differences, even before the phase-in was complete.[23] More sophisticated econometric studies have shown the same pattern. One study calculated that "on average, a one percentage point increase in the tax (buildings : land) differential will yield an increase in the total value of construction of 17.8 percent."[24]

One should consider the possibility that a land value tax could be imposed not only at the local level but at the state level as well, ultimately in lieu of other tax regimes. There is sufficient rent available to be captured without unduly burdening taxpayers, especially since the economy would be healthier and transition measures to be discussed below would be instituted. It should noted also that New York State levied a conventional property tax throughout a good part of the 19th century; there is ample precedent.[25]

Geophilos, No.3:1 (London: Land Research Trust, Spring, 2003): 44-54.
Several of these notables endorsed a Letter to Mikhail Gorbachev, since printed in *Land and Liberty*; also in Richard Noyes (ed.). (1991). *Now the Synthesis: Capitalism, Socialism, & the New Social Contract.* London: Shepheard-Walwyn; and online at http://www.earthsharing.org.au/2006/09/15/letter-to-gorbachev/, and http://www.earthrights.net/docs/letter_to_gorbachev.html, accessed April, 2009.

[21] On the easy of assessing land value: H. William Batt, (2009b). "Land Value Maps are Not New, But Their Utility Needs to be Re- Discovered," *International Journal of Transdisciplinary Research*, Vol. 4, No.1, pp. 96-144. See the work of Assessor Ted Gwartney, especially at http://www.henrygeorge.org/ted.htm, at www.progress.org, and other places searchable using his name at www.askhenry.com.

[22] See, for example, Guerney Breckenfeld, "Higher Taxes that Promote Development," *Fortune Magazine*, August 8, 1983, pp. 68-71. This is reprinted online at http://localtax.com/fortune/hightax.html.

[23] See www.urbantools.org, Research and Studies: Building Permit Data Results, accessed February 19, 2011.

[24] In 1995, Professor Nicolaus Tideman of Virginia Tech University and his graduate student, Florenz Plassmann (now a professor at the University of Binghamton) completed a highly technical study of land value taxation as used in the 23 cities in Pennsylvania using such a tax. It concluded: "The results say that in all four categories of construction, an increase in the effective tax differential [between land and buildings] (1) is associated with an increase in the average value per permit. (2) In the case of residential housing, a 1% increase in the effective tax differential is associated with a 12% increase in the average value per unit.… From the perspective of economic theory, it is not at all surprising that when taxes are taken off of buildings, people build more valuable buildings. But it is nice to see the numbers." See "A Markov Chain Monte Carlo Analysis of the Effect of Two-Rate Property Taxes on Construction." *Journal of Urban Economics,* 47(2), 2000, 216-47. Several other studies show equally dramatic impacts. See www.urbantools.org (Accessed September, 2010).

[25] A statewide property tax is not without precedent in New York. As early s 1799, one mill was levied on real estate and personal property, and this was continued intermittently until 1842. After that time an effort was begin in earnest and the tax continued throughout most of the 19th century. Roughly three quarters of the property tax was on real property. In the early period, sale of public lands constituted a significant proportion of the state's revenue, but records show that the year 1800 netted over $90,000 in property taxes. Although the total vacillated greatly from

Still, some transitional and ameliorating measures would be needed to effectuate the changes smoothly. The first step, of course, is to un-tax buildings altogether and remove the penalty it imposes on people who improve or maintain their property. The conventional property tax today is like a train with an engine on each end: the tax on buildings negating whatever positive effects the tax on land value can have. In a revenue neutral shift, most residential parcels pay less, and underused and vacant parcels in high-value urban cores pay more, providing an incentive to develop.[26] That reverses sprawl and fosters urban revitalization,[27] without throwing precious public dollars at the problem. Another is to have taxes paid in increments rather than in a yearly lump sum. The third part is to give households the option of deferring their tax burden until they sell. Then they pay up with interest what they rightfully owe and don't shift their burden onto others unfairly. Twenty- four states do this in some way.[28] At the same time, policy makers should make an effort to shift the burden of taxation off the sales of goods and onto land value, with the ultimate goal of doing the same for taxes on wages.

Recognition of the significance of land's importance as a separate factor of production, along with its associated rent, is again gaining credence.[29] The divergence from the lineage of classical economics, to what is today called neoclassical economics, may now have come to an end with the disintegration of its paradigm. George has now been vindicated. We should return to a system of taxation practiced for three thousand years.

In his time and shortly thereafter, Henry George's single tax was endorsed by Sun Yat Sen, Leo Tolstoy, George Bernard Shaw, Clarence Darrow, Theodore Roosevelt, Winston Churchill, Henry Ford, John Dewey, Albert Einstein, Louis Brandeis and Senator Paul Douglas. More recently, beside ten Nobel prize-winning economists, there are William F. Buckley, Jr., Ralph

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year to year, the amount reached $1.25 million by 1854, and $7.8 million by 1890. These figures from Sowers' history continue to the moment of his study in 1912 when the state property tax totaled $6,325,823, constituting 10.5 percent of total state revenues. John Christopher Schwab, *History of the New York Property Tax: An Introduction to the History of State and Local Finance in New York*, American Economic Association, V (5), September, 1890; and Don Sowers, *The Financial History of New York State From 1789 to 1912*, New York: Columbia University Studies in History, Economics and Public Law, LVII (2), Whole Number 140, and Longmans, Green & Co., 1914. See also H. W. Batt, NYS Statewide LVT Solution (unpublished manuscript), and "A History of the Real Property Tax and Equalization in the State of New York" www.orps.state.ny.us/ref/pubs/survey/dec06/print.pdf accessed 2-19-2011.

[26] On studies that show that most homeowners pay less, see www.urbantools.org.

[27] See H. William Batt, "Stemming Sprawl: The Fiscal Approach," Chapter 10 from the book, *Suburban Sprawl: Culture, Theory, and Politics*, edited by Matthew J. Lindstrom and Hugh Bartling. Rowman & Littlefield Publishers, Inc., 2003. Accessible online (September, 2010) at http://www.wealthandwant.com/docs/Batt_SSFA.htm (accessed 9-20-10); and Mason Gaffney, "L.A. Sprawl: How Did We Get This Way? April, 1993, revised 12/1999. (unpublished manuscript).

[28] See H. W. Batt, "Property Tax Relief Measures: Answers to the "Poor Widow" Argument" at http://www.wealthandwant.com/docs/unindexed/Batt_poor_widow_solution.htm, and H. William Batt, Two Property tax Relief Measures: Land Value Taxation to Stabilize and Deferral as Provisional Tax Relief." in Capital Commons Quarterly, Volume 4, Issue No. 4 (December, 2010), pp. 18-22. See also, David Baer, "Awareness and Popularity of Property Tax Relief Programs." AARP Monograph #9803, Washington, D.C. February1998; David Baer, State Programs and Practices for Reducing Residential Property Taxes," AARP Monograph #2003-04. Washington, D.C. 2003; David Baer, State and Local Property Tax Burdens in 2005. AARP Public Policy Institute Monograph #2007-09, May 2007. Washington D.C. Australia's Future Tax System: Report to the Treasurer, Part1 and Part 2, Detailed Analysis. Commonwealth of Australia, December 2009, and many others done in various states.

[29] This past August, 2011, saw the publication of a book describing the resurgent interest in the economic theories of Henry George. See Phillip Bryson, *The Economics of Henry George: History's Rehabilitation of America's Greatest Early Economist.* New York: Palgrave/MacMillan, 2011. A second book, by Walter Rybeck, *Resolving the Economic Puzzle*, London: Shepheard-Walwyn, 2011, echoes many of these same arguments.

Nader, Michael Kinsley, Molly Ivins, Jack Kemp, George Gilder, and Steven Moore.[30] The idea of taxing economic rent from land cuts totally across conventional political lines. It should be acceptable to all sides.

A clearer understanding and justification of public taxation will also relieve the anger.

Roots of Anger2.rtf

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[30] For a partial list of notable people, both economists and others, who have endorsed the economic philosophy of Henry George, see www.cooperativeindividualism.org, www.wealthandwant.com, and many links from these, or especially through the Council of Georgist Organizations at www.cgocouncil.org.