

LAND TAX PHILOSOPHY LIVES ON

Jerry Heaster, Economics Writer, Kansas City Star, (Missouri).

For some, the taxation philosophy of Henry George excites the imagination as much today as it did nearly a century and a quarter ago, when George first outlined it for the American public.

John Morales, a longtime regular correspondent from Savannah, Mo., is one such devotee of George and his letters never fail to make an interesting point based on the teachings of one of the most interesting intellects in American history.

A recent Morales missive, for example, noted that local governments would be much better off if they opted for George's idea of taxing only land and foregoing taxes on the other two factors of production.

"You tax land because it is not going anywhere – as disgruntled capital and labour can and do, leaving blighted cities behind," Morales noted.

George was a social reformer, and his life was devoted primarily to fighting profiteering and corruption. He made his greatest impact with *Progress and Poverty*, which became a runaway bestseller after he published it partly at his own expense in 1879.

George said a nation's economic output was equal to the sum of rent (from land), interest (from capital) and wages (from labour), according to Christine Ammer and Dean Ammer in their *Dictionary of Business and Economics*. Since growth boosts rents because the supply of good land is fixed, economic gains from production would be absorbed by rising rents instead of boosting wages and interest.

The way to make the distribution of expanding wealth more equal, George theorized, was to exempt wages and interest from taxation and tax only the rents derived from land ownership. (Under George's system, however, improvements that increased the land's productivity – such as buildings – would remain untaxed.)

Underlying George's philosophy was a desire to discourage speculation and encourage the land's most productive use.

The tax on land values is the most just and equal tax, George said in *Progress and Poverty*, because it falls exclusively on those who receive from society a "peculiar and valuable benefit" in proportion to the magnitude of the benefit they receive. This makes

it a "taking by the community of the value which is the creation of the community", he said.

The fact that George's book was a bestseller says much about the vigor of intellectual debate during an era when average educational levels weren't nearly as lofty as they are now. People back then, it seems, were really passionate about *ideas*.

And the intellectual legacy of that era is the relatively small band of Georgians who still cleave to his philosophy. Their loyalty apparently is buttressed by the belief that George's concepts get at the basic cause of poverty – i.e. speculation, monopoly and taxes on the fruits of a working person's labour.

George's ideas never gained widespread political acceptance for reasons that seem fairly obvious. They threatened the interests of the most powerful titans of his day as well as ours.

Moreover, they probably have been perceived as too close to socialism for comfort in our capitalistic society, which was a bad rap, says Morales. George never advocated nationalizing or socializing the land, says Morales, and what we ended up with amounts to a "Marxist tax policy".

Perhaps, but the Georgian approach nevertheless retains its appeal because it would do away with taxes on working and saving. Meanwhile, another excellent argument for George's way is the mess of a system government has concocted for us in the process of rejecting his philosophy.

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