



Write On

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A NEW PROPOSAL TO PAY FOR "LUNCH"

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In the past year, much concern has been expressed about the economy and taxes. The arguments spin around and around. We need more income, sale, property, etc., taxes.

We need less income, sales, property, etc.

OK, now every economist including the Nobellaureates will tell you that income, sales, property, excise, and import taxes damage the economy, one reason being they create the wrong incentives and thereby hinder production. So the argument is over doing moderate or major damage to the economy.

But, we need government. One side says big enough to protect our rights, the other side says small enough that it cannot take our rights away.

Regardless, the government needs revenue to operate; remember, there is no free lunch. But who pays for lunch? And that, citizens, is the problem.

The income tax unfairly taxes individual gross income at about 20 percent while taxing corporate gross income at about 2 percent. Sales taxes punish the poor more than the rich.

The property tax punishes the people who take good care of their property and rewards those who let their property go to ruin. Excises and tariffs inflate prices. And, in none of this is the one who eats lunch paying for it.

Is there a way to eliminate the damage and the unfairness brought on by the present system and still support an optimal size government? Yes. Bear with me.

Now, if I borrow some ideas from the founding fathers and others (say Thomas Jefferson, John Locke, Thomas Paine, John Stuart Mill and Henry George), and mix them together and apply them to our economy, there might be a possible solution to the "who eats?" and "who pays for lunch?" problem.

According to them, land was not the same as property. Property was made by human labor mixed with the resources of nature, land.

Land itself was not made by humans and therefore no one person had a better claim to it than anyone else. People could use land and resources as they pleased, but they should also leave as much good unused land in the commons as they had used.

The property that all made was theirs and theirs alone, no one else had any claim to it. The laborer has made his wages, and they should be his to keep, and what the capitalist made was his and his alone.

In other words, no taxes should be levied on labor or capital.

In the past we recognized our obligation to leave land and resources for others in the commons. The problem, now, is that we have destroyed that commons by placing all land in ownership of individuals, so that there are fewer owners than

when we were all owners of the land in common.

Landowners now have a rental monopoly over nonlandowners and through many government regulations, tax policies and convolutions of the economy, the landowners are able to take any gains that labor and capital make through specialization or invention, with no productive effort on the landowner's part, by simply raising the rent.

Most of us are in some part laborer, capitalist and landowner. The more we are land owners and can avoid rent increases or derive our income from rent and its increases, the better able we are to advance economically. And so, ultimately through the increase of rent, which produces nothing, the rich get richer and the poor get poorer.

There is a way to return the right to use the commons and to reward the productive members of society rather than the unproductive. And to get rid of the various taxes that harm the economy at the same time.

That is to treat all the land as common as far as ownership, and maintain our present system of possession and use on an individual basis. That way we would not need to infinitely divide the land to be just, we would only need to divide the annual rental value of the land.

This could be done through free market or governmental systems similar to the present property tax systems, which are more efficient and effective than income and sales tax collection systems.

This is how it would work: The land user would pay a land user fee for the land used.

The landowners, each and every citizen, would receive a displacement rent for their equal right to share the commons. The land-user fee would be based on the annual rental value of that land in a free market.

The land users would pay the full market value less a reasonable amount for best use allocation of their land. This amount could be based on a percent return on investment in the stock market.

The balance of the fee would be collected and dispersed in equal shares of displacement rent to all citizens. The citizens could meet on an annual basis to then decide what portion of their displacement rent would go as tax revenues to the local government, and to international government. Now that is a possible non-Utopian pragmatic future, but how could we get there?

In Maryland it could be relatively simple, except that the citizens would probably have to drag the politicians who are vested in the status quo, kicking and screaming into the future, along with two other groups that would fight this vigorously, because it would stop their lazy ways of getting rich off rising land values.

They are real estate developers and so-called "farmers", who are really speculating on rising land prices, and have no intention of passing on a farm lifestyle.

The two important laws in Maryland are, first, that incorporated municipalities may assess land at a different rate than improvements, and second, municipal charters may be amended by petition and voting. With these two

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laws, citizens in a municipality could eliminate the property tax and the municipal income tax, and possibly a portion of the sales tax.

What effects could be expected from such a change:

1. The land-user fee is the most economically neutral form of revenue collection. It is most neutral when all levels of government (local, state, federal, and international) services are held to those in which all citizens benefit about equally and the balance of the land-user fee is returned to the citizens in equal shares of displacement rent.

2. It can improve economic productivity by replacing the income tax, which punishes labor for production; the property tax, which punishes capital for production; the sales tax, which punishes those who engage in economic exchange to increase their wealth.

3. Best economic use is encouraged because unused and underused land adjacent to best-use land would rent at the same annual rate.

4. Compact development is encouraged on a local scale, and compact cities with surrounding primary economic land use and open spaces are encouraged on a regional scale. Efficient use of natural resources, transportation networks utility infrastructure is encouraged. However, for full effect, repeal of legislation that interferes with economies of scale is required. This is true because it is less expensive to build within and up than it is to build outward.

5. The displacement rent will serve as an irreducible social catastrophe insurance for those who are landless and perhaps jobless.

6. The land-user fee/displacement rent system will curb boom and bust cycles in the economy driven by real estate speculation.

7. Since more people will have a fair share of the economy through the displacement rent, it will be more difficult for a few people in government and on corporation boards to control the economy, as is now done.

Please, think this idea over awhile; then if you like it, go out and talk with

your friends. If they like it, start thinking about organizing the petition to change your town's charter to get rid of unfair taxes and replace them with a fair land-user fee and displacement rent.

And remember, for those who say that we can't change, remind them that we would still be eating raw meat and veggies if it wasn't for that one person, on that one day, who saw the lightning strike the tree and put food over the burning wood. It's been hot lunches since.
