

This Land Is Your Land

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The shape of a new American health care system is clearer now than it was last month, but a fraction of the American public will still be permanently steamed at President Obama for pushing through a new "entitlement" (and, eventually, raising their taxes). They don't see why America has to be so European. This column has spent the last several weeks looking at how European [health care schemes](#) might work in America; now it's time to look at an American-born idea that would — in theory — revolutionize the tax system of any country.

Taxes don't need to be pulled from your income.

Before the world had ever heard of Karl Marx, an American journalist from San Francisco named [Henry George](#) wrote a radical and popular work of political economy called *Progress and Poverty*, the first serious economic manifesto to become an American best-seller. He argued for a "single tax" on the value of land. The book made him world-famous near the end of the 19th century, and figures from Tolstoy to Einstein declared their admiration.

Land, to George, was *the* resource for earning money, or just living: Only hoboes could get by without renting a slice of it. Land was not just natural but limited, so it belonged, in the truest sense, to the nation. Other taxes put an undue burden on human activity: Income tax weighed on productivity (wages and profits); a sales tax put a burden on trade; a "property tax," which involves not just land but the structures on top of it, burdened development. To George, it was simple logic that a government should raise taxes from the value of land.

In a booming city, land values rise with the tide of human activity, so the power of a government to build subways and schools would rise, too. At the same time, a land tax would curb speculation. If a bank had to pay for sitting on acreages of unused land as an investment, or on every new high-rise apartment building it financed, real estate bubbles would vanish. The most recent recession started as a real estate bubble, of course, so George has a painful [new relevance](#).

But he's been out of favor for decades, especially in graduate schools. Economists are trained to ignore him. Paul Krugman came to Berlin in 2008, right when the subprime crisis had started to rumble, and I asked his opinion of Henry George.

He squinted and tried to remember the name of the book. "Uh — *Progress and Poverty* I think is the [main text]?"

"That's right."

"Well, look. Believe it or not, urban economics models actually do suggest that Georgist taxation would be the right approach at least to finance city growth. But I would just say: I don't think you can raise nearly enough money to run a modern welfare state by taxing land. It's just not a big enough thing."

The context was health care. "We're having enough trouble trying to make sure we repeal the Bush tax cuts," Krugman added, "and trying to shift to a completely different base of taxation is just not going to be on the table."

True, but let's stay in the realm of theory for a minute. *Could* a land tax pay for a health care system? Not if you imagine it as a familiar property tax — some tweaked and cheaper version of the arrangement in New Hampshire, say, where people pay through the nose for home ownership (and improvements) but never owe tax on their income.

Professor [Mason Gaffney](#), a Georgist economist at the University of California, Riverside, says that's the wrong way to imagine a Georgist tax.

"Land," first of all, can apply to any natural resource. Alaska treats oil as "land" by handing out checks to its citizens as a just share of corporate oil profits; the cheap use of the airwaves by American broadcast corporations has long been considered by Georgists as a wholesale giveaway of "land." The list could go on and on.

"The biggest thing is water," Gaffney says. "In an arid state, water is worth more than land, or at least as much. But it's totally exempt from taxation. It's an enormous source of revenue that's not being taxed at all. In fact, it wouldn't even have to be a tax because, legally speaking, the state [of California] owns all the water. ... So the state should simply charge a rental for the use of its water. But not only does it not charge for people taking water out — it subsidizes them by paying for the works that are necessary to store and distribute the water."

I think the relevant term is "ass-backwards." Meanwhile, Americans argue about their income tax and whether some of it should help complete strangers cover their medical costs.

Europeans still believe in taxing the rich to help the poor; Americans have argued back (bitterly) for over 100 years. Henry George sidestepped this argument altogether, and squinting at the world through his antique lens can explain a great deal of contemporary frustration, from California to the creaking budgets of Europe.

