

A TOUGH NUT TO CRACK (from page 4)

is a zero-sum game they are the losers.

For every increase in land value for owners, non-owners have to pay more to purchase or rent a home. This is what drives their wages to subsistence and results in widespread poverty. In Vermont for example, the median salary has been about \$5,000 to as much as \$20,000/yr below what it takes to afford the median house mortgage.

When the government reduces someone's property value the owner can sue the government for compensation under "takings" law. What increases land values? We all know it's mostly government services of schools, parks, public utilities, fire, police, roads, transit, etc. But when the government through public services increases a landowner's property value does the government get compensated? Of course not. "Takings" is not symmetrical, it's a one-way ratchet. It only applies when people lose value, not when they gain, although by reciprocity it should include value recapture for the government.

Giving is always easier than taking. Following this principle, instead of proposing to take away land rent from landowners, why don't we propose to give land rent to non-landowners? If 100% of citizens received a share of land rent, wouldn't this be a libertarian version of the Georgist single tax? Government would still have to collect LVT from landowners. The difference is that people would get their share directly instead of routed first through government spending on public programs. It would be like an Alaska Oil Dividend for land. So how to do it?

I am not a lawyer, but it seems to me that the 14th amendment of equal protection under the law would apply in this case. 70% of people receive a share of a mostly government created benefit, namely socially created land rent, an annual virtual payment for their land, which they can cash in when they sell. Isn't it even in the National Income accounts as imputed rent? Wouldn't that be strong evidence? 30% of the public does not receive this government created benefit. Isn't it a violation of equal protection to favor one class of citizens over another in government policies? Couldn't this violation of equal protection be cause for a class action lawsuit on behalf of the 30% of citizen's who do not receive land rent?

This would be a "giving" instead of a taking. Yes, the 70% of landowners would have to share some of their rent with the 30% non-owners, but they would still get most of it. It's much easier to argue on behalf of giving something to 30% of the people due to fairness, compared to taking something from 70% of the people counting on their (non-existent) idealism.

Maybe the numerous homeless, affordable housing, and poverty reduction groups would get onboard this effort to give everyone a share of land rent. I am putting this idea out there for comment, because promoting LVT is a hard sell and we should try other approaches. This is not to say that we shouldn't keep trying, but our efforts would be assisted by other methods. At the very least it would shine a light on the issue of unearned land rent, and appeal to people's sense of fairness, instead of defending their sense of entitlement to their property. Einstein defined insanity as doing the same thing over and over and expecting a different result. Maybe we should try something new? <<

INTERNET SALES TAXES (from page 3)

It's the "passed back" portion of sales taxes that do the most damage, because—unlike profit taxes—they take a bite from gross revenues before expenses. Moreover, a uniform tax rate does not mean uniform impact. (As Anatole France wrote, "The law, in its majestic equality, forbids the rich as well as the poor to sleep under bridges, to beg in the streets, and to steal bread.") Sales (and VAT) taxes fall hardest on small, labor-intensive retailers, with high volume and low profit margins.

Consider two New York City businesses: One is a furniture store; the other is a Sabrett's hot dog cart. Assume for simplicity the "passed back" portion of the 8.5 percent sales tax is 5 percent. The furniture store invests \$9,000 a year in an inventory of sofas, which it sells for \$10,000, earning a \$1,000 before-tax profit. 5 percent sales tax is \$500, half of profit, and 5.5 percent of the \$9,000 investment. The hot dog cart invests \$200 a day in buns, dogs and labor. It earns \$210 a day, or \$76,650 a year in sales and \$3,650 in profit. A 5 percent sales tax collects \$3,833, wiping out profit and amounting to 1916 percent of the \$200 investment! Moreover since most of the cost of the cart is labor, the tax adds 5 percent to the 18 percent or so in payroll taxes! In short, sales taxes kill small businesses—precisely the kind which provide the most jobs per dollar invested. And by killing competition, sales taxes may drive prices up by more than the tax rate.

Sales taxes are also insidious—it's always so tempting to politicians to raise them another quarter cent, and hope no one notices. Up to now, the threat of tax competition from neighboring states and localities has kept those politicians in check. That is as long as customers can easily shop elsewhere, most of the tax will be "passed back" onto merchants—whose complaints will make politicians think twice about increase. The European VAT has crept so high precisely because shoppers can't avoid it by crossing borders. (Tennis ball smuggling isn't cost-effective).

In recent years, the rise of effectively untaxed internet sales has helped check increases of state and local sales taxes. If the Marketplace Fairness Act passes the House, it will release that check on sales taxes, and lubricate our way towards European-style VAT taxes! "Fairness" shouldn't mean raising sales taxes on internet merchants, but reducing them on local businesses. For once, though for the wrong reason, Grover Norquist is right. <<

BETTER LIBERTARIANISM

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<http://www.post-gazette.com/stories/opinion/letters/better-libertarianism-692192/>

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I am surprised to say I somewhat agree with E.J. Dionne Jr.'s recent "Libertarianism's Achilles' Heel: Why Are There No Libertarian Countries?" (June 11). This may be why I'm a geolibertarian, rather than the current run-of-the-mill variety.

As Mr. Dionne rightly hinted at, in the United States toward the end of the 19th century began what is known as "the Progressive Movement." But I suspect (cont'd on p. 14)