THE ROAD TO TAX REFORM IS NOT EASY

by Fred Karn, Pittsburgh, Pa

Most readers of GroundSwell will understand Henry George when he wrote "land must become common property." He did not recommend that all land become the property of a king who will manage it for the benefit of his subjects. He did not recommend a communist government which would manage land for the benefit of its citizens. Henry George recommended a libertarian society in which all men are free to own land, as much land and as much land value as they like. But the value of the land must be returned to the community in the form of a land-value tax. Thus society would have the benefit of private ownership and individual initiative without exploitation of labor and capital.

In our world, most governments underestimate the value of land. For tax purposes, most revenue [now] comes from labor and the products of labor. Efforts have been made to establish a more just and prosperous society. Two methods are available. The appraised value of land can be increased to a reasonable level. And the real estate tax burden can be shifted toward land values and away from improvements by the graded tax system. Many stories have been told about real estate appraised at $100 when its fair market value is $300,000 or more. Or about a single cow tethered on acres to change them from city land to farm land and hence to a much lower tax bracket.

The graded tax has brought increases in the economy of every community which has accepted it. But both reassessments and graded-tax laws have limitations as landowners frequently fail to pay taxes and the city fails to find more productive owners. Too often land reverts to the city or school district with no tax income, and it becomes a blight to the city. The road to reform is not easy, as Henry George warned. Even national governments have been overthrown in defiance of reform, as Stanley Sapiro wrote in this publication.

(editor's note: Fred Karn is Treasurer of the Center for the Study of Economics.)

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