

Incentive Taxation

ETHICS Issue

We have been asked by many *Incentive Taxation* readers to run an annual issue on the *ethical* implications of two-rate land value taxation (LVT), so here goes:

The Ethical Basis for the Single Tax

In order to ethically prove common landrent ownership, Henry George starts off with the premise (in *Progress and Poverty*, Justice of the Remedy) that **each man owns himself**, in which case we own our bodies, our faculties, and the fruits of our labor. Since a landowner *per se* produces nothing, he has no ethical claim to land because he didn't produce it, nor did he buy it from someone who did (God or nature got there first). He can ethically own it only if he pays the full assessed annual rent (its value) to everyone else in the form of a tax to the government, thereby negating his special privilege.

But in order to justify common landrent ownership, it isn't necessary to say that "each man owns himself." It is

clearly unjust for one person to own another - that's slavery - and it is clearly unjust for all of us to own all of us - that's utopian socialism. But there's a fourth alternative. **No one owns anyone (not even oneself) but each person owns one's brain, nerves, muscles and limbs.**

Not only is it not necessary to say "each man owns himself," but it is wrong. After all, how can we own ourselves? How can we own our soul, our spirit? They are unownable. We own our brain, nerves, etc. (not our soul or spirit), and that gives us a right to use them - a subtle but significant difference.

If we say, "each man owns himself," wouldn't that justify the unjustifiable - suicide?

A Proof for Equal Rights

by Steven Cord

Historically, it has generally been believed that an ethical principle is capable of proof in the same sense that mathematical principles can be proven true (i.e., $a^2 + b^2 = c^2$ for flat right triangles). After all, both are aspects of rationality, of logical thought, and are therefore equally capable of being proven true. But today such a belief is little held. The consequences in terms of social dysfunctions (high crime rate, high drug use, inefficient schools, etc.) are significant.

Don't we all believe that it is irrational to kill, group-discriminate or rob? We thereby accord to others their equal right to life, liberty and property. But how can we *prove* this to be correct behavior? John Locke tried, but we would say unsuccessfully. He assumed that we have rights in a state of nature which we bring with us when we enter society, but that's begging the question. What exactly is the state of nature, how can we have rights when there is no one else to respect or violate them (and why do we have them in the first place?) and why should society - other people - respect those rights in society?

We can do better than that. Consider:

(1) We should be accurate, as an end in itself.

(a) "as an end in itself" - rationality deals with ends

rather than with means. For instance, Hitler and Stalin generally used rational means to attain their ends, but their choice of ends wasn't rational in itself. Means are judged

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Explanation of 2-Rate in Brief

The property tax is the worst tax in the world, and the best:

Worst - in that it falls on improvements, a necessity of life (we work and live in them). The property tax on improvements discourages new construction and rehabilitation by taxing them and making them more expensive.

Best - in that it also falls on land value, thereby encouraging landowners to use their sites more fully. This leads to jobs and new construction or maintenance.

So - shift some of the property tax on improvements to land. Localities can do this by levying a lower tax rate on building assessments (the so-called two-rate approach) - while keeping revenue the same.

Incentive Taxation will help you do this for nothing - 8775 Cloudleap Ct., #212, Columbia, MD 21045; ph. 410-740-1177; fax 410-740-3279; e-mail hgeorge@smart.net .

A Proof for Equal Rights

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by our intentions and the relevant facts, but ends are not. Should we never judge ends, or purposes? Are they all equal? People are equal as to rights, but ends are not. Ends are subject to rational judgment. We ought not to suspend rationality when the most important choices we can make are involved.

(b) "We should be accurate" - accuracy is the very essence of truth. For instance, it is accurate to say that the Eiffel Tower is in Paris; thus, it is true that it is in Paris. Truth should demand our obeisance.

(2) We have the right to be free to do what we should do, thereby proving that we the right to be free. From that

right, we can derive the right to life and the right to property, but we cannot do so here; I do that in a book I have just finished.

It is not possible to prove moral relativism, or "rightlessness." Moral relativism claims that no ethical principle can be proven true, so then by its own admission neither can moral relativism be proven true, for it is an ethical or moral principle. Moral relativists are hoist by their own petard; they are victims of the Skeptic's Dilemma (i.e., if nothing can be proven true, then neither can skepticism).

Some people reflexively reject a proof of what they believe in. They prefer a moral hairshirt instead. A proof of equal rights should strengthen the belief in and application of equal rights.

Do Landrentowners Reap Where They Have Not Sown?

If everyone thinks that landrentowners are entitled to speculate for windfall profits, then it requires that workers and businessmen get taxed instead.

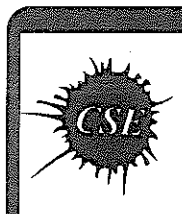
Landrentowners cry out, "Why single us out for taxation? We're as honest as Mother Teresa." Others sympathize with them and the authorities give them tax breaks. Producers get taxed instead.

But as it becomes generally accepted that we should all have equal access to landed opportunities (either by dividing up the land equally, which is impractical nonsense, or having a democratic government use the annual rental income of land for public purposes instead of taxes on producers), land speculators will lose their self-righteousness. Once it is generally realized that the worker and businessman are entitled to the full fruits of their labor, leaving nothing for landrentowners - only then will it be seen that the interests of the landrentowners are in conflict with society and with justice.

Justice The Object - Taxation the Means

The Robert Shaklenbach Foundation has re-published in a handsome booklet a speech by Henry George given in the Metropolitan Hall, San Francisco, 2/4/1890, on his way to Australia.

This booklet is an excellent introduction to the ideas and fervor of the originator of the idea of land value taxation. \$1 from C.S.E., 8775 Cloudleap Ct. (#212), Columbia MD 21045.



Nothing written here should be construed as an attempt to influence the passage of any legislation. The views expressed in this publication are the opinions of the authors, and do not necessarily reflect CSE views.

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Once it is known that labor is the only way to justify the ownership of anything, then taxes on labor and the products of labor will be regarded by all to be violations of the sacred right of private property.

Only incentive taxation can ensure that all land-parcels be used more fully, thereby creating jobs and wealth.

For centuries, everyone thought slavery was justified; even many slaves thought so. Then suddenly public opinion changed and slaves were regarded as having a right to their life, liberty and labor. So it is with landrentowners today. If everyone has a right to his labor, then the producer owns what he produces. Only labor creates private property rights, and landrentowners do not labor.

The landrentowner produces nothing and that's what he's entitled to. Isn't he taking other people's labor, like the non-producing slaveowner did who took the labor of "his" slaves?

"The ownership of land is the great fundamental fact which ultimately determines the social, the political, the economic, and, consequently, the intellectual and moral condition of a people. And it must be so. For land is the habitation of man, the store-house upon which he must draw for all his needs" (Henry George).

*Abolish
the Property Tax
- on Improvements
Only*

♦ Land is our ultimate source of wealth and income. If access to it is unequal, there is no equality of opportunity.

♦ "Would free marketeers argue that the Emancipation Proclamation constituted illegitimate government interference in the market-place?" (James Bennet, *Washington Monthly*, 11/90, p. 18)

♦ "What I produce is mine. All mine! What you produce is yours. All yours! But that which none of us produced, but which we all lend value to together, belongs by right to all of us in common." (Dr. Viggo Starke, Danish cabinet member)

♦ "Let Justice run down as the waters, and Righteousness as a mighty stream." (Amos 5:24)

♦ Since the DOS operating system for computers is needed by all users and software designers, and no competition with it is feasible, should it not be bought (at replacement value) by the government and made available to all users at cost, instead of (as now) owned by one private company? *Reader response is invited.*

♦ "Where there is no vision, the people perish." Has our society lost its understanding of moral vision?

♦ All is not economics. Money matters, but so does morality. We can obtain economic growth by raiding other

nations, but we simply shouldn't do such a thing. What this tells us is that morality is even more important than money. That why every so often we get the urge to discuss the ethical imperative for taxing land more than buildings or wages. And it's safe to say that if we do what's morally right, then we'll come out ahead economically as well.

♦ "If I am not for myself, who will be for me? And if I am only for myself, what am I?" (*Bible: Sayings of the Fathers*, 1:14)

♦ **Henry George:** "I do not propose either to purchase or to confiscate private property in land....No restriction need be placed upon the amount of land anyone could hold."

♦ "The earth is God's (banquet) table which He has set for all of His children - and He has no stepchildren" (Father Edward McGlynn, per IT reader **Elmer Greenlee**)

♦ "When it comes to direct, time-efficient redistribution of wealth, it's hard to beat organized crime." (Harold Emery, *Wall Street Journal*, 9/5/96, A17)

♦ "No trumpets sound when the important decisions of our life are made. Destiny is made known silently." (Agnes de Mille)

Tax Land Values - Help the Small Guy

by Mason Gaffney (Economics, U/Cal.-Riverside)

It is often argued in favor of shifting property taxes to land only, that this will lower land values.

In fact, if tax collections remain the same, land values may go up. For while increasing the tax on land lowers land values, the fact that one can now build an untaxed building raises land values. In heavily taxed central areas, where building taxes and holdouts keep construction well below what "the market" would otherwise dictate, not taxing buildings will raise land values more than increasing land taxes lowers them...shifting property taxes to land will increase land values in the center and decrease them elsewhere.

However, where shifting property taxes to land does lower land values, it gives an advantage to smaller buyers at the expense of larger buyers. This happens because banks discriminate in granting credit. They give cheap loans to those with large collateral, and expensive loans or no loans to those with small collateral - even though the latter might be more productive managers of property. In other

words, small buyers pay higher interest costs for property than do large buyers. But unlike interest, taxes on land do not depend on the collateral of the owner, but only on the land value. So where taxes on land lower land values, a small buyer ends up paying less in taxes than he would have to pay in mortgage interest - if indeed he could get a mortgage at all. A tax on land enables a more productive small buyer to outbid a less productive large buyer, even though the latter can get cheaper credit than the former.

As a simple example, consider Mr. 8%, who can get money at 8%, and Mr. 15%, who can only get it at 15%. Both consider buying a parcel of land. Mr. 8% can earn \$100 a year from it, so he can offer up to \$100/.08 for it, or \$1,250. Mr. 15% can earn \$150 a year, so he can offer up to \$150/.15 for it, or \$1,000. So guess who gets the land. Now impose \$50 a year land tax. Mr. 8% now can offer up to (\$100-\$50)/.08 for it, or \$625. But Mr. 15% now can offer up to (\$150-\$50)/.15 for it, or \$667. So now the land goes to the more productive bidder.

Endorsements 481-482

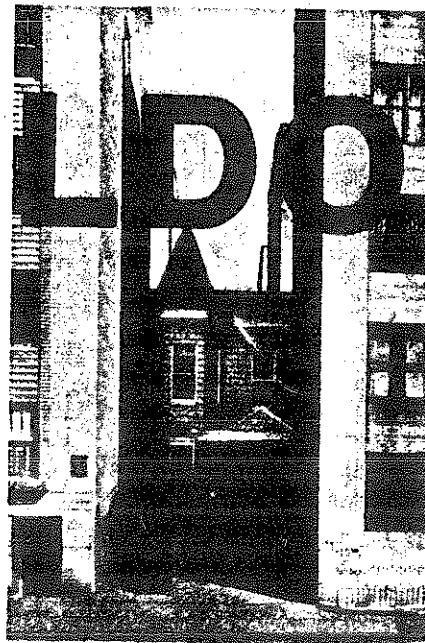
Mayor John Poelker (St. Louis): "We should have different formulas for the taxation for land location and improvement values." He recommended that "assessments on land be 100 % of market value while improvements be assessed at only 25% of their depreciated value."

Andrew Carnegie: "The most comfortable, but also the most unproductive, way for a capitalist to increase his fortune is to put all his monies in sites and await that point in time when a society, hungering for land, has to pay his price."

HOLDOUT!

Every city has a few holdouts - owners of properties (usually old residences) who refuse to sell to developers of new and larger office buildings or apartment houses which are more appropriate to the location. The holdouts want a better price or they've gotten sentimental about their property.

The result is that the city offers fewer jobs in the prospective office buildings or fewer apartments in the prospective apartment houses. Holdouts continue to occupy inappropriate



● A holdout - wedged in.

locations. Prospective tenants pay

higher rents to cover the exorbitant price which holdouts receive, the cost being passed on to the tenants. Holdouts stand in the way of the economic progress of the city.

Solution: Shift the property tax off buildings onto land (two-rate). This would make it too costly for holdouts to hold out. They'll move to more appropriate locations and in time gain a new sentimentality. Tenants will be better off. The city's economy will prosper.

Invalid Social Thought Creates Crime

The following excerpts have been gleaned from an article by Andrew Payton Thomas in the *Investor's Business Daily*, 12/29/95:

♦ "In 1991, the FBI warned that violent juvenile crime was growing not only among 'minority youth in urban areas' but among 'all races, all social classes and lifestyles.'"

♦ "What began in the 1960s as a merry, mass overturning of customs and traditions which had kept crime under control for centuries has resulted in nothing less than a national catastrophe."

♦ "Over the past 25 years, local expenditures on police have risen more than 700% and the U.S. prison population has tripled. Yet crime rates have continued to rise."

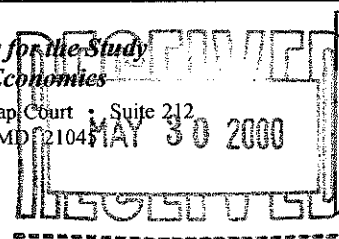
The moral relativism of the 1960s led

to crime. Since the 1960s, labor and labor products have been taxed as never before, thereby undercutting the sanctity of private property rights and boosting crime. To support the government, tax land rent instead. Are you part of the problem, or the solution?

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