

AN ALTERNATIVE OUTLOOK

By Everett W. Gross

Gov-elect Kay Orr promised a proposal for a fair, equitable, stable, revenue-neutral tax plan for Nebraska. Some day, maybe I'll find someone who knows what she means by "revenue-neutral". Maybe it is some kind of a catch word meaning that it will bring in enough public revenue without altering the economy in any noticeable way. Or maybe she means to set a rate of something that will keep revenue constant in a dwindling economy. If so, I am eager to hear it.

I don't believe there is such a thing as a tax which will not alter the economy. It would be far better if she could think in terms of a tax which would increase revenue and at the same time boost the economy.

Yes, it can be done and is being done in varying degrees in many limited areas all over the world.

I recently heard over the radio that someone has proposed that Iowa let the individual counties experiment with tax formulas. The hope is that one of them might find a way to wake up its economy and then the others may follow suit. Maybe the proposer has in mind the very commendable idea of local option which required about seventy years of intense campaigning to get through the Pennsylvania legislature. However, in Pennsylvania, it is still not yet permitted by counties, as it probably ought to be. Only cities of a certain class are allowed to adjust only the municipal portion of their property tax in the direction I have been advocating.

To this day, as far as I know, only seven cities have moved that way. They have slightly reduced the taxes on improvements, and compensated by a matching slight increase of tax on bare lots. No one should need to tell you that in every case, the entire economy was greatly stimulated. All of the active parts of the economy are in the improvements; bare lots are a burden to the community.

When I tell this to people, they usually ask me why the people in the nearby cities do not grasp the idea. I have to turn that question over to someone who has not grasped it. He needs to tell me why he has not grasped it. Maybe people just don't look around to see how various taxes affect other localities. If that is the case, do you suppose other counties in Iowa will notice if one county wakes up its economy by reducing its improvement tax?

People fear change. The ones who have the power to change anything are already quite well satisfied with their lot in life. But mostly, massive errors of mass opinion stand in the way. Mr. Average Joe is sure that his own pocketbook distress is caused by someone else's good luck. Cases of this kind are very rare. The fact is that, mostly, his own bad luck is caused by the other fellow's similar bad luck. A case in point is the present plight of agriculture. The product does not trade very well for things the farmer would like to have instead. The rest of the economy is too sick to buy it. Is that different from other laborers who cannot trade their potential output for what they need? The problem is the same for both.

Taxing the active factors of the economy to subsidize either farmers or unemployed laborers is no solution at all. But bare locations are certainly not active factors of the economy; improvements are.

Untaxing improvements is not a new idea, and I occasionally meet a person who figured it out for himself. (I did not.) Large bare-land speculators seem to fear that a rug will be pulled out from

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under them, but they need have no such fear. Growth of improvements in the neighborhood would not only leave their after-tax land value largely unchanged, but it would open opportunities they never dreamed they had. Also, as improvements grow, costly public problems which burden the public treasury are greatly diminished in all of the areas which use the natural resources as more of their tax base.

More luck to the pilot proposal for Iowa, but the principle is extremely well known by the people who care to look into it. To use an old expression: "How many more times do we need to re-invent the wheel?"

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