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The Farm Problem

Everett W. Gross offers a brief summary of the farm problem, its root cause and a way to attack that cause.

by Everett W. Gross

The farm problem is just one facet of the entire world poverty problem. And the poverty problem is a property problem.

How? Property is of two distinct types: Nature-made and Man-made. It is handy to call them respectively: Land and Improvements. Most people think of the most improvements as being in town. From a very important point of view, this is not true. The amount (value) of improvements required to equip one breadwinner on the farm, far-and-away exceeds the amount to equip each breadwinner in the city.

Does this sound difficult to learn? Be patient. Rural parts of the economy suffer more than urban parts because of our penchant for basing virtually all of our taxes on improvements. Can someone please explain why improvements should be counted at all in calculating our property taxes? Improvements are the very engine of the economy. (Actually, human effort is, but let that go for now.)

Can you begin to see why the smaller farmer is hurt far more than the giant invader? The giant needs far less improvement per dollar's worth of land than does the small farmer. That is why the giant agribusiness corporation can far outbid the beginner farmer to buy the farm from a retiring farmer...

With that in mind, it seems plain that a major step in a solution could be to reduce the taxes on improvements. Far more (and affordable!!) improvements would result. It is the small operator's only chance to stand against the giants.

Then you may ask who would pay the taxes, if they are on land value only. To a minor extent, some of the same people, but not as a penalty for improving. More importantly, more would be paid by bare land speculators in land near the cities. Even more importantly yet, the amount of tax revenue needed would be much less in a healthy economy than in our present one which is badly crippled by our improvement taxes.

Has the idea been tried? Yes indeed. (Parts of Pennsylvania, Denmark, New Zealand, Australia, for a few examples.) It should not require a rocket scientist to guess that if you tax a certain kind of thing, many people will do less of it. Your improvements help rather than hurt other people. The opposite is true of bare land speculation.