

PROGRESS / 2004

How Much Should a Teacher Receive?

### Salaries Can't Ignore General Economic Conditions

Teachers work hard and are entrusted with one of the most important tasks in the world. They help to raise our children. Teachers can inspire -- or harm -- a child, and can have effects that last for decades afterward. So are teachers being paid enough to ensure high quality and good training?

#### **Higher Pay for Teachers?**

by Everett Gross

Teachers wish for higher pay. This is not news. The topic is older than I am. Is there any real evidence that the pay of teachers has either risen or fallen compared with other occupations? Is there any reason to expect that it should, or could? The teachers, among others, are pleading for someone to come up with some method of taxing the overall economy for additional funds to pass around to the school districts to augment the pay of their teachers. Many plans are on the drawing board and I would like to join them.

Each presenter of a plan thinks his own will work and most of the others will fail or are seriously flawed. Each of you, including teachers, may have been led to believe that you have heard and considered all of the possible plans. I don't believe most of you have. We need to admit that other places in the world are using different methods and some are producing success. I need go no farther than Pennsylvania to show you mine. There, it took 75 years of hard political in-fighting before the first city could use it. But now they are nearly up to 20 cities and gaining. It amounts to adjusting the property tax formula to stop crippling the overall economy of the city.

I can't present the complete reasoning in this short article but don't expect something easy; it wasn't easy for me. But it works. If it is safe to assume that our teachers are our society's main thinkers and repositories of knowledge, then the main burden of teaching how to raise their own standard of living must fall upon the teachers themselves.

When I was an active teacher, I sometimes told my fellow teachers that we should be the last to get more pay because the solution to the general problem of poverty is in our hands. I asserted then and now that the entire economy is groping along at less than half its natural rate, and that is the problem that needs to be addressed.

If teachers think they can raise their pay without raising the whole level of the economy, they need to think again. There are natural forces in the economy just as there are in any other area of nature. When I was teaching physics, a colleague in

economics told me that all of the physics and mathematics could be handled by a few virtuosi, but that economics is everyone's business. It was one of the wisest statements I had heard in a long time. Most of the people whom you know have whole clusters of explanations ('theories' if you prefer) for the separate pieces of money that enter or leave their pocketbook or bank account. The sad part about that is that each one is satisfied that there is no other or better explanation.

Now back to Pennsylvania. They call it a two-rate property tax or just plain incentive taxation. It consists of gradually increasing the tax rate on valuable bare lots held idle for speculation, and decreasing the rate on buildings. If you are suddenly seized by a sense of pity for the poor bare land speculator, because he is not making any money, I will lend you my hankie to dry your tears. He is not an idiot. If the market value of the lot were not increasing at a rate at least equal to the market rate of interest, he would use it or sell it or lease it and thus benefit the economy. All of that increase in value is caused by such community improvements as schools, roads, emergency services and neighboring markets.

Any person who owns land, whether it has buildings on it or not, and who favors taxing buildings instead of the land value, is shooting himself in the foot, and shooting your foot too. Permitting him to build opens up more opportunities than just his, and raises everyone's purchasing power.

A friend once criticized the idea on the ground that it would result in too many vacant buildings. Experience in Pennsylvania does not bear that out; there are no more vacant buildings in the market pipeline there than we have here. The market itself is what changes. Business increases, jobs phase in, and slums phase out. Land owners need not fear losing anything, because the increase in the neighbors' total economic activity will add more to their property values than the cost of the tax. This has been proven in Australia and New Zealand.

In summary, the teachers are in a peculiarly favorable position to learn and teach about tax incentives. Their own well-being, as well as everyone else's can be highly influenced by such incentives.