

SCORCHED EARTH POLICY

My mission in this series is to publicize a new framework for economic analysis that is trying to make its way into public awareness. It was introduced by Henry George in his book *Progress and Poverty*.

One of its principal statements is that the things we commonly call property are of two types, vastly differing in the origins of their titles, and the effects of speculating in them and taxing them. If you read it, and your knee jerks as mine did when he talks about public or common property, you may relax when you discover he is talking about taxes; a tax is an assertion that the article for which you are taxed is public property.

To divide property into the two distinct types, one type which we could call improvements (houses, factories, tractors, fences, stores, printing presses) can be built by people and can be said to be what "the economy" is all about.

The other type which we could call land (all natural resources, locations, oil in the ground, sunshine) cannot be built by people, had no original cost of production, became property by conquest, and has no market value at all except what is caused by the neighbors' improvements, or public improvements such as roads and schools and fire protection. Its quantity cannot change except by erosion, deforestation, or other types of mining.

Except for a few rare screwball cases, your improvements are good for me and mine are good for you. Your factory or farm serves me by making goods available for which I can exchange mine. The improvements are the whole difference between a habitable earth and a non-habitable one. The richer you get from improvements, the better off I become. A tax or threat of a tax on improvements has the effect of reducing the amount of improvements.

Land, on the other hand, is vastly different. If I hold vacant a location which has value, I am partly enslaving you by reducing the supply available to you. If you want to build an improvement you must pay my price or move farther out. Since you (plural) compete for locations, my price will be one which throws some of you into the ranks of the unemployed. When you move farther out, my location gains in value and I have not produced anything in exchange for it. It is fairly estimated that nearly half of the valuable lots in this country are held idle or in a very low state of improvement, just for speculative gain in location value. I have no right to that gain without compensating all other people for it in full.

Our whole system of taxing property is a double-barreled scorched earth policy. Taxing improvements reduces improvements. Failing to tax bare land also reduces improvements. The old game of "shift the tax burden" avails nothing. The real issue lies in the decisions we make in response to threats of various taxes, and the effects of those decisions on other people, and yet again, how those effects bounce back to us. I would like to have my taxes increased—if you do it in a way that increases the buying power of the rest of my income.