

## THE WORST AND BEST TAX

The property tax is the worst tax in the world—and the best. The reason for this is that it is actually two different taxes—a tax on buildings and a tax on land values.

Insofar as the property tax falls on buildings, it penalizes new construction and makes the maintenance of older buildings more expensive. As it happens, the building tax is a major disincentive.

Suppose you improve your property by putting on a new roof, porch, or something at a cost of \$4,000. In most communities, that will boost your assessment by more than half that amount. At the current tax rate, your improvement will cost about \$150 each year. If we estimate the long-term interest rate to be 10%, then those yearly property tax payments will cost you the equivalent of \$1500 now or more than 37% of your original cost. This is equal to a punishing sales tax—37%—which falls only on a basic necessity of life.

But insofar as the property tax falls on land values, it encourages the more efficient use of land, for who would keep land out of use, or only partial use, if he had to pay a heavier tax on its value? The property tax on land values encourages land owners to develop their sites in accord with market demand. No matter how high the tax on land, it cannot possibly diminish the supply of land, whereas taxes on labor and labor products eventually diminish the supply of those desirable things. A land tax can only boost economic incentive.

The foregoing remarks, lifted (paraphrased) from a Philadelphia paper may seem to apply only to city affairs and have little interest for us out here in farm country. But the "seeming" may lead to mistakes. No part of our country, or even the world, is really insulated from the rest in a true economic sense, as long as even one person can move from one place to another to better his lot. Also, nearly every person uses products from nearly every part of the world.

We have been lamenting the fact that our family farm way of life is fading away from us. I am old enough to remember when a very ordinary square mile of farm ground supported about four families. It won't any more, and the collapsing farmsteads are not a pretty sight if we realize what they mean.

It is not only that fewer young people take up farming; many apparently established farmers have thrown in the towel even when they had no really good alternative. People in cities simply cannot buy the

The farmer words it differently. He says that he cannot sell all of his product, and his picture of it is that all other farmers (not I!) are producing too much. Not enough people understand that buying the farm product is really a matter of producing (manufacturing) something else that the farmer wishes to trade his product for.

The farm problem is a market problem; the market problem is a city problem, and the city problem should jolly well concern us or there won't be any solution.

The above-mentioned newspaper article proceeds to tell of some cities in Pennsylvania and larger areas of Australia which tax improvements at a lower rate than land. The resulting increases in new construction should be of interest to all of us. Maybe before I lose that article in my pile of papers, I will find room in this column for some of the figures.