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Teacher, Teach Thyself!

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. Many plans are on the drawing board. 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 the really feasible plans. But I don't believe 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 a city.

I can't present the complete reasoning in this short article; it takes some analysis, some understanding of basic terms and principles -- but nothing beyond the ken of any literate person. And 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 on 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 ever heard. Most people accumulate a haphazard cluster of theories, like those odd bits of paper we carry in our wallets, to explain such mysteries as money supply or business cycles or equilibria. The sad part about that is that each one is satisfied that no better explanation can be found.

Now back to Pennsylvania. They call the policy "incentive taxation". It consists of gradually increasing the tax rate on land (including valuable lots held idle for speculation), and decreasing the rate on buildings. If you are suddenly seized by a wave of pity for the poor idle land speculator, because he is not making any money

with which to pay his land tax, I will lend you a hankie to dry your tears. He is not an idiot. If the market value of the lot does not increase at a rate equal to the market rate of interest, he will use the lot, or sell it, or lease it -- and thus benefit the economy. All of that increase 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 than in other cities. The market itself is what changes. Business increases, slums phase out, and jobs phase in. 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, teachers are in a particularly favorable position to learn and teach about economic remedies. They can increase their own well-being, as well as everyone else's.

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