

The Progress Report welcomes a new columnist: Everett Gross, from the heart of Farm Country, Nebraska. / 2004

### **Teachers and Farmers**

So much recent news seems to be about problems concerning teachers and farmers. I ought to try to speak from both backgrounds since I grew up on a farm in Valley County and became a teacher. I like to believe that I have some insight from schools of thought that are rarely, if ever, referred to in most popular discussions.

Few if any of modern writers seem to see these problems as facets of a general problem of poverty. The usual suggestion is, "The rest of the economy is so rich, and my occupation is so poor!" But we need to ask ourselves a few questions. Do we know of any common ordinary fields of endeavor whose members do not feel themselves to be put-upon? Farmers and teachers are far from the only ones who are up against the wall.

We are constantly told how good the economy is and that the Fed has it under control. I don't believe it. The evidence of massive hardship is all around us if we would only look and listen. Each person has an explanation of the hardships that beset his own area of endeavor.

I was a farm boy in the early 1930s, and things then were largely the same as now: a few farmers were well off but most were either struggling or giving up. But so it was with all other pursuits. I don't know who was first singled out for subsidies and other special considerations. Even with such help, we still lost our farm to the finance company.

Many people have come forth with ideas for solving the farmer's plight today. The number of different approaches is not very great. Most of them center around looking for higher sale prices for farm output, or loans to enable holding grain for better markets, or thinking that exports will improve sales.

All of these sound fine at first but has anyone noticed any long-term results? It is hard to believe that the problem of poverty can be solved for farmers without solving it in general. For a long time now, some professional and amateur economists have seen a major problem in the tax system -- not the total quantity, but the manner in which taxes are levied. That is, who pays how much and as a penalty for what. One economist called our current system "harnessing the profit motive backwards" because we penalize things that help the economy. Most countries base their property tax mainly on property improvements such as buildings, machinery, inventories, equipment, etc.

These things are all beneficial to other people. A tax on improvements is an inducement to employ less of them, to employ fewer people, to produce less. What really hurts is the very expensive but poorly developed city lots that are held for speculative gains in future sales price. If farmers think they are not hurt by that, they can guess again. Every part of the economy is

connected to every other part.

All of the farmers I know wish they could buy supplies for less. I have news for them. No supplier is going to sell for less unless he needs to. And he doesn't need to unless he has a competitor. And he won't get a competitor until it gets easier for someone to become a competitor. And the competitor won't appear until he can afford a location and such buildings and equipment as he might need. Enter "incentive taxation." A tax on buildings make buildings more expensive, so cut that tax down -- a tax on bare land makes land cheaper to buy, so raise that tax.

Unfortunately, advocates of such incentive taxation sometimes use the term "land value tax" when they really mean tax relief of improvements. Some farmers initially react with fear because they think of themselves as land owners. The fact is that the expensive land is in town, and farm taxes would actually go down. Many farms would pay no property taxes at all.

To summarize: my analysis is that the farm problem is a market problem, and the market problem is a city problem, and the city problem is expensive land (taxed too lightly), and expensive buildings (taxed too heavily). This current system reduces the number of people who would like to sell to farmers, and also the number who would like to buy farm products.