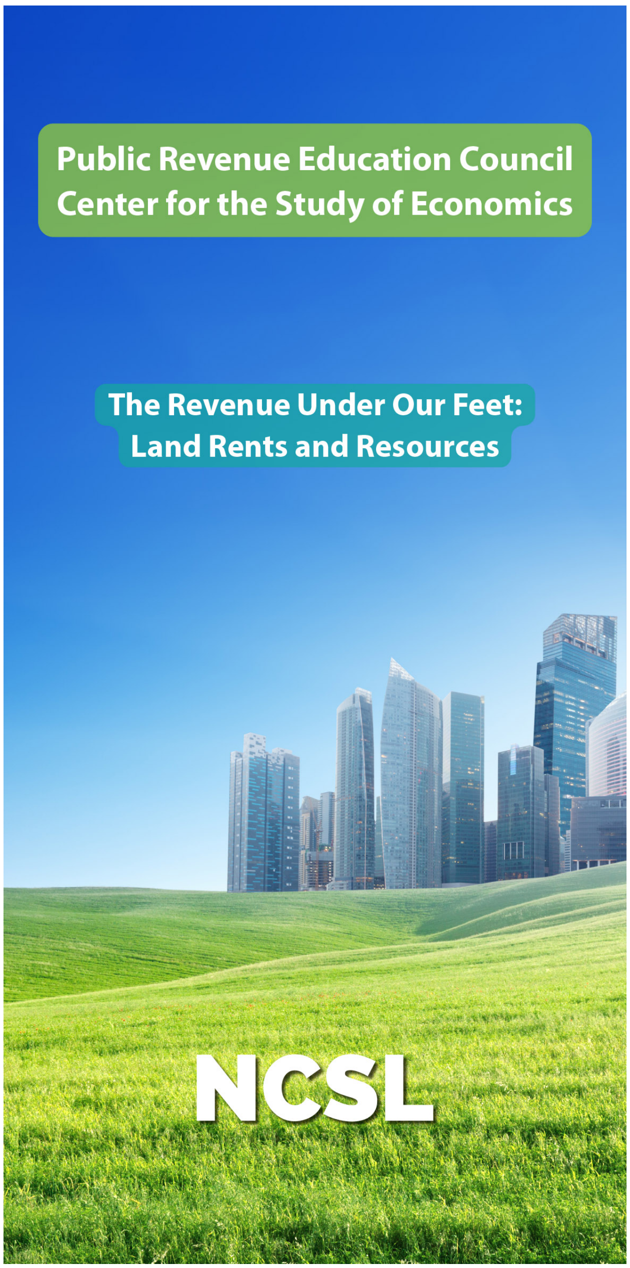

Public Finance Absurdity:

“Ground-rent being captured by private location monopolists is analogous to a tax, since the landowner arbitrarily demands a portion of the produce of labor without creating anything that contributes to the productive process.”

“That revenue could instead be used to remove taxes on things that we want more of (labor/investment) and to provide more of the social services/investments that enhance quality of life (and location value).”

“LVT simply reclaims our donations to landowners by charging monopolizers of location for the annual market value of the privilege they are receiving from the community.”

“Every time you read about the need for austerity or that there is not enough money for nice things, it is a lie: nice things increase land value in proportion to their niceness.”

Public Finance Absurdity

There are three sources of public revenue: fees, fines, and taxes. Fines are pretty well understood, but the Georgist example would be a Pigovian "tax" on environmental damage. A fee is when states charge people $15 to replace lost licences; charging $100 would be mostly a tax. Land value "tax" (LVT) is actually a user-fee, not a tax, just a Pigovian "tax" is a fine, not a tax. LVT is the price landowners should pay for the privilege to exclude others from the value of locations in nature that the community is creating.

Society currently donates the price of locational privilege to landowners free of charge---in fact, we even pay them with *negative* LVT for agricultural land and with public investment projects that enhance land value. Government donates all that to landowners, mostly the wealthy, and pays for that expense with real tax on our labor and productive enterprise. What makes payroll and sales taxes actual taxes is that they are arbitrary costs added onto normal, beneficial activities that we would otherwise want to encourage. When states charge employers to hire labor, the state is not directly offering any reciprocal benefit/service. Nothing is created; value is simply extracted and then used in ways that may or may not later benefit the people who paid the tax.

Even though that seems bad, it gets worse, because then laborers and businesses are taxed again, this time by the very landowners we just donated to! Laborers are obliged to pay a private toll to access the very same benefits their hard work and taxes just created. So ground-rent being captured by private location monopolists is analogous to a tax, since the landowner arbitrarily demands a portion of the produce of labor without creating anything that contributes to the productive process. In that sense, private land privilege, or any other monopoly for that matter, technically qualifies as a private tax.

LVT simply reclaims our donations to landowners by charging monopolizers of location for the annual market value of the privilege they are receiving from the community. Ground rent captured by LVT is directly subtracted from the "capitalized" price of land. That changes the form of land payments but never increases its cost. A 100% tax of land rent would equate to a sale price of land approaching zero. Following through with the private tax analogy, it is clear that every land purchaser already pays what he/she expects to be a full LVT, whether as an up-front cash payment or over time as mortgage payments to a bank.

That revenue could instead be used to remove taxes on things that we want more of (labor/investment) and to provide more of the social services/investments that enhance quality of life (and location value). The best way to think of it is that instead of paying rent and taxes, people would only pay rent, but we would pay that rent back to ourselves, to the community, instead of to private monopolists.

This is exactly the same method shopping malls use to finance the provision and maintenance of restrooms and security. Malls do not tax vendors a percentage of sales or for each employee hired---but what if they did? Imagine that the malls handed out free perpetual leases, allowing speculators to hoard unused vendor-sites and prevent actual businesses from using them while seeking to extract returns created by the success of others. Vacant shops would detract from the appearance, efficiency, customer experience, and profitability of the entire mall and benefit only a select few, often absentee leaseholders. Perpetual leaseholders could accomplish this by capturing appreciation returns from the value of any new mall amenities, growth in the economy, and vendor productivity. Each time businesses worked harder, customers became more wealthy, or the mall improved, rent seekers would be able to increase the private tax they extract from people who need access. That is senseless!

The tragic truth is that what we are doing is much crazier. This has *deadly* consequences. Every time you read about the need for austerity or that there is not enough money for nice things, it is a lie: nice things increase land value in proportion to their niceness. What we are actually saying is that the power of parking lot owners is so great that we willingly condemn vast numbers of people to poverty, death of the mind, body, and spirit.