

Fund Government from Natural Resources

By Mike Curtis

Government is not like a company that manufactures products or delivers a service. It doesn't embody labor in a product it can sell like a car or a clothes-pin where the more labor you save by having it, the more it is worth. It delivers services like water and sewer and charges an amount that attempts to approximate their production cost.

But, the less government charges for water and sewer, etc., the more people will pay to live within its jurisdiction. The lower sales and income taxes, the more people will pay for the use of its land. When governments operate efficiently, it reduces production costs and tends to make products and services cheaper. The bridges and highways reduce transportation costs; the police reduce the cost of protecting property; reliable money facilitates trade with a stable medium of exchange and a standard measure of value. As the cost of production and prices go down, a city or the country becomes a more desirable place to live and work—the value of its land goes up.

Imagine just the railroads and the interstate highways being un-usable. The cost of transportation would go up, and with it the price of all transported goods. What would be less desirable and less valuable is the land on which things cost more to produce. The value of residential land goes down when the price of consumer goods goes up. The value of land is the total of all the advantages, minus the disadvantages.

We only think of the land containing oil, iron, gold, etc., as a natural resource, but all land is a natural resource, including the airwaves. It is called property, but it does not embody the right of the producer to the product of his labor. The land is the gift of nature; it has been here for billions of years, and all people are equally dependent upon it.

The land title comes from the state (Gov.), and without the government to insure it, the land would have no market value. The exclusive possession of land is necessary so the producers can keep what they produce upon it, for who would plant a crop or build a structure without it. But the title to land is not absolute. The people who work or live on any parcel of land must

conduct themselves within the laws and pay taxes based on legislatures' criteria.

The value of land arises when there is superior fertility, mineral content, or advantage for trade—measurably greater than the best quality land yet to be claimed (still free). As people come together in communities, they settle on land with natural advantage; as they do, there is a potential to specialize with one group growing food, another making clothing, and a third building shelter. As this division of labor evolves into more and more productions, tools and machines are developed for each specific job and enabled to run in continuous motion. With every addition to the population, greater divisions of labor and economies of scale are enabled—until it reaches the point of diminishing returns.

All production takes place within time and space. An assembly-line can only go so fast before the mistakes diminish the output. Workers can only stand so close before they impede each other's productivity.

The same constraints limit communities. As communities grow, there is a point at which the same rivers that at first connected communities, becomes impediments to trade—muddy roads slow traffic. Water is harder to access, and waste is harder to dispose of. At some point, each increase in the population does not increase each person's productivity. Beyond that, if the rise in population were to continue, each person's productivity would diminish.

So, they pave the roads, build bridges, water and sewer systems, and provide police and fire and other public services. Then a far greater number of people can live and work in a given area with more divisions of labor and economies of scale. The productivity per person increases and continues to rise until it reaches a higher point of diminishing returns.

The value of land measures the advantage: The difference between the results of labor and capital (products of labor) on any particular parcel of land, and what the same labor and capital (products of labor) would have produced on the best land that is still free. Where land is free, the population is always sparse. So, it is both the natural advantage and, far more importantly, the larger and denser population, enabled by the infrastructure and public service, that creates the value of the land.

Because land is a natural opportunity upon which all people are equally dependent for their life and well-being, and because the value of land is socially created, it is a natural source of public revenue. Much of the value of land is necessary to build and maintain the infrastructure and public service. Without it, the land value would be grossly diminished. And, because land value is socially created, it belongs to the community and society as a natural source of funding for social programs.

America is a sparsely populated country. It has one fifth the density of Britain. Our cities have made enormous investments in infrastructure and public services, including transit. Still, there are areas of every city that could house and employ significantly more people than they do now. Most cities have declined in population during the last half-century or so. Philadelphia lost 24 percent of its population, and so have many other cities over the last 70 years. The transition from manufacturing to what we now call the service industries is generally connected to the decline of these manufacturing juggernauts.

None-the-less, there is no inherent reason why the same streets, pipes, and wires that supported manufacturing could not support all other types of business. Those who have polluted the ground should clean it up, and if they don't, the government must take it, clean it up, and recoup their investment from the future rents. With that exception, idle land results from two different incentives. In valuable areas, it's because, even after taxes, the increase in value is expected to be greater than the income from other investments. While in distressed areas, it's because the land would not yield the prevailing rate of return on the building, plus enough to pay for maintenance, management, and taxes if the land were redeveloped and occupied.

Shifting taxes to a charge for land value would not (as the current system does) penalize those who rebuilt and managed their real-estate well. However, to rent from the community (which in effect it would be) a parcel of land, and leave it idle, would soon bankrupt even the best-endowed corporations. In other words, the government would collect the market value of the benefits received, from those who benefit from the management and expenditures of government.

That would create the incentive to put all privately held land to its full potential, creating the largest number of jobs possible. Wages would rise

as landholders would then have to compete for workers. On land that is more valuable for residential use, all empty buildings would have to be rented in good condition or sold to people who would live in them; valuable land that is undeveloped would have to be developed and occupied, because in both cases the rental value of land would have to be paid to the government whether the land was in use or not.

Whether it is the cities, suburbs, or agricultural regions, the idea of supporting the government from the value of our natural resources would be an increasing fund for the increasing needs of social growth.