THE SINGLE TAX AND ITS APPLICATION.

(For the Review).

The application of the Single Tax would necessitate an increase in the "rate" of taxes now levied upon land value. Such an increase would leave a less part of ground rent with land holders. Land would therefore be worth less than now.

As land fell in value it would seem that to secure the same amount of revenue, a further increase in the rate would be needed—and so on.

Viewing the matter in this way many have held that land would reach a point of zero value, and public ownership would become inevitable.

My notion is quite otherwise, and I have been requested to present the following for publication:

Illustration is usually the more acceptable form, and so it is proposed to assume a parcel of land, the total ground rent of which is $1000 per year. We also assume that the usual interest rate is 5%.

The total ground rent ($1000) is discovered in this way: Inquiry reveals the fair price of the land to be $14,000. The tax records show $300 to be the levy. This is $21.43 on the 1,000—or, 2.142% of the value.

Now, as the land will furnish the owner 5% on $14,000 or $700, and pay $300 in taxes, the total or gross rent is $1,000.

It will be observed of course that the value of the land is wholly determined by the portion of the gross rent that remains with the land holder. If the tax were only $200, the land would be worth $16,000 because the remaining $800 would be 5% on that amount. This would be $12.50 on the 1,000, or 1.25% on the value.

Now, let us increase the rate and observe the result, and try to discover the point at which the value of land will disappear—or the point at which so many of our critics hastily assume that no one would want to own land.

Whatever portion of rent be taken by taxation, the remainder will be 5% of the selling value of the land, as is shown above when taxes are either $200 or $300.

If now we levy a tax of 3% and the amount left with land holder is 5%, it follows that $1000 (gross rent) is divided into eight equal parts, of which the public gets three and the land holder five. One-eighth of 1000 is 125, and three times 125 is $375, the amount of the tax, leaving to land holder $625. This amount $625, is 5% of $12,500, the value of the land under a 3% tax. Three per cent. of $12,500 being $375, the amount of the tax.

By the same process a 4% tax will divide gross rent into nine equal parts of which the public gets four and the land holder five, resulting as follows:

				Value.
4% tax =	$444.45—	owners part	$555.55	$11,111.00
5% "	500.00	" "	500.00	10,000.00

It is curious to note that a 5% tax on the true value of land, on the basis of a 5% interest rate, will equally divide gross rent between owners and the public and of course the land will be worth just one-half what it would be if no tax were levied. If gross rent ($1000) went to owner land would be worth $20,000

Let us continue to increase the rate:

6% tax	= 545.45—	owners part	$454.55...	$9,091.00
7% "	= 583.33—	" "	416.67...	8,333.40
8% "	= 615.00	" "	385.00...	7,700.00
9% "	= 642.85—	" "	357.15...	7,143.00
10% "	= 666.67—	" "	333.33...	6,666.60
15% "	= 750.00—	" "	250.00...	5,000.00
20% "	= 800.00—	" "	200.00...	4,000.00
30% "	= 857.13—	" "	142.87...	2,857.40
40% "	= 888.88—	" "	112.12...	2,222.40
50% "	= 909.00—	" "	91.00...	1,820.00
60% "	= 923.04—	" "	76.96...	1,539.60
70% "	= 933.31—	" "	66.69...	1,333.80
75% "	= 937.50—	" "	62.50...	1,250.00
90% "	= 947.37—	" "	52.63...	1,052.60
95% "	= 950.00—	" "	50.00...	1,000.00
100% "	= 952.38—	" "	47.62...	952,40

At 100% tax rate, therefore, the land has a selling value of $952, and the owner who has purchased since the tax was imposed still gets his legitimate return of 5% on his investment. As Mr. Fillebrown shows, a tax cannot be made to stick to the owner of land beyond the next transfer.

If would seem that the above figures ought to prove to any rational mind that increasing taxes on land values does not cause those values to disappear, but merely to decline. At the 100% tax rate we of course divide $1000 (gross rent) into 105 equal parts. The land holder gets five and the public one hundred. At this rate therefore the tax and the selling value are equal. (Very small fractions are avoided in all above calculations).

But let us go even farther and levy a tax of 200%. The public is to get 200% and the owner 5% on the same sum. So we divide $1000, the gross rent, by 205, which gives us 4.878, and this is one per cent. of the value of the land—one hundred per cent. being 487.80. The tax of 200% on this amount is 975.60 and 5% going to owner is 24.39. The two amounts of course equal the gross rent, 1000.

When it is so easy to prove that a tax of even 200% levied on the value of land would still leave land a selling value equal to nearly one half the annual rent, is it not about time to adjourn the claim that the Single Tax would result in public or common ownership?

Attention has been called to the fact that at a 5% interest rate a tax of 5% on the true value of land will divide gross rent equally between land holders and the public.

It may be worth while to note further that a tax of 10% will give two-thirds of rent to the public, and one-third to land holders. A 15% tax gives three-quarters to the public and one-quarter to owner. A 20% tax gives four-fifths to the public and one-fifth to owner, while a tax of 35% gives seven-eights to the public and one-eight to owner, and a tax of 75% gives but one-sixteenth to owner.

One important point to be noted is that up to and including the 100% rate, there is enough value in land to enable the public to recover its revenues by sale of the property if the owner becomes and remains delinquent.

This latter matter is "practically" vital, and I believe is not provided for by any of the land nationalization schemes, nor yet by any other plan save by a tax laid upon the "selling" value of land. And herein we see again the working of a perfect law.

JOHN Z. WHITE.

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(*For the Review*).

(This article by William Ryan was received several months ago, but because of the pressure of other matter it has been deferred. It seems to embody in itself a reply to Mr. John Z. White's article, and, for that reason, is printed in this issue along with his.) —Editor *Single Tax Review*.

There is a good deal of talk these days about changing the name of the Single Tax movement to "Taxation of Land Values." While many of us have realized the failure of the words "single tax" to convey all that the Single Tax philosophy implies, still we have been unable to find words which will take their place, explain its philosophy and at this late date be psychological enough to be substituted for the words "single tax"; words which have a very distinct meaning to thousands.

The words "taxation of land values" may mean much to the inhabitant of Great Britain, because land values there are not taxed locally, and the national tax is light and based on an ancient valuation. But in America land values are already taxed everywhere under the general property tax. To replace the well-known name "Single Tax" by "taxation of land values" would merely bring confusion.

I have always been sceptical about the current explanations of the fiscal side of the Single Tax, realizing that the selling value of land is nothing more than a purchase price for the privilege of collecting that part of the annual or economic rent which is not taken by taxation.

I have realized that when the time comes to put Single Tax in operation, we will have trouble unless we adopt the plan of taking the annual rent, or if expediency requires it, progressively to take a greater and greater part of rent. But as a rule Single Taxers pay little heed to this phase of the subject and usually talk glibly about taxing land values.

At a public meeting in Philadelphia a few years ago I asked John Z. White how he would go about putting the Single Tax into operation; and his reply was that he would continue to increase the tax on land values