

In this final installment the ever puzzling matters of land titles, the transferability of taxes on land values, and the compatibility of income, inheritance and gasoline taxes are discussed. In following this series you have been introduced to some of the most difficult queries met from experts in city planning relating to land-value taxation. Harold S. Buttenheim, editor of *The American City* submitted nine questions. All have been skillfully answered by two well known Georgist authors: Harry Gunnison Brown of Columbia, Missouri and Gilbert M. Tucker of Albany, New York.

## VII.

If, as Henry George says, "there can be no just title to an exclusive possession of the soil," does this apply as among cities, states and nations?"

*Gilbert M. Tucker:* The land belongs to the people, but to the people who have pre-empted it, who govern and control it. The only way its values can be recovered to all is through the instrumentality of government. This means that practically it must be administered by the units of government directly concerned and not by aliens. We in America are justified in excluding from interference those who live in Africa or Asia, and we have the right to exclude immigration of a type alien to our concepts and ideals.

Conversely we have no right to dictate to other lands, although many Americans assume that we are justified in meddling with everything everywhere. As long as the world must be governed, and land belongs to the people who maintain governments and are represented by them.

As between the fields of city, county, state and national government, we shall have to work it out, as we have solved many problems in the past. I believe decidedly in free home rule and in meeting local obligations locally, however, I deplore the over-riding of Article X of the Bill of Rights.

*Harry Gunnison Brown:* As regards cities and states within the nation, this view would mean that if, in a particular city or state, the rent of land is greater per person and in proportion to essential public services than in the rest of the country, such excess rent should be used for the whole country and not for that city or state alone.

But unless and until public opinion is conditioned to the socialization of rent, it is better that those of us who favor such rent socialization avoid stirring up needless controversy on relatively minor points. We must not, when there is some chance of getting our policy adopted for some city or county for local purposes, immediately object that a part of this rent should be used for national purposes. Far better that it should be used for local purposes and so be enjoyed by all the people of such a local area, than that the rent should continue to be a private income (but see my answer to Question VIII).

When it comes to the question of somehow trying to divide the rent of all the land in the world among all the nations of the world, I believe we can still less afford to make it an issue. If by chance any followers of Henry George were to argue publicly for the view that the people of the United States ought to measure the rent of land here and abroad and then share with foreigners any excess rent that we have beyond what *they* have, this would but antagonize, I think, men and women whom we might otherwise persuade to our general philosophy. Airing such views—if any Georgists have them—would tend to prejudice others against us to such an extent as to militate seri-

ously against the adoption of a land-value-tax program.

Common sense says that so long as each nation is independent of others, wants to be independent, governs itself and raises its own taxes—sharing the world's land rent is an utterly impractical dream. An understanding of the land-value tax enables us to see, and to present evidence therefor, that the country which adopts such a policy has an advantage in its industrial growth, its wealth and, consequently, in its military potential, over other countries. To emphasize such facts will help persuade our people toward our system for our own country. Its adoption here, or in any sizable area, would tend to strengthen the cause in other countries. That method of approach is likely, I believe, to carry us much farther than discussion as to whether the Hottentots should share the land rent of the United States. And there might be an argument, even, that the land value of the United States, in so far as it is a socially produced value, is produced *almost* entirely by the people of the United States and only infinitesimally, if at all, by the *Hottentots*.

## VIII.

It is claimed that taxes levied upon land values cannot be transferred by the owner to the purchaser or tenant. Is not this so only in respect to such taxes as do not increase the real value of land?

Let us assume that a city issues bonds for important public improvements—say a sewage disposal plant and a new high school and a park and playground system. The interest on these bonds means additional taxes on all of the real estate in the city. The improvements, however, increase land values by attracting new residents and by making the city a more desirable place for those already there. Land-owners are thus enabled to secure higher prices from future purchasers or tenants. Does not this mean that the added taxes are paid by the future purchasers or tenants? And is it not desirable that this should be so?

*Gilbert M. Tucker:* Ground rent is collected from the tenant it is true and he should pay the Ricardian differential to equalize the value of unequal holdings of our common patrimony—but taxes are another matter. Collection of ground rent is not a tax; it is payment for values and benefits actually received and not an arbitrary exaction or seizure. This is an important distinction and must be kept in mind. Today the tenant pays the ground rent, part of which is passed on to the authorities in what we thoughtlessly call a tax, but what the tenant is willing to pay is not affected by the way in which it is divided between government and title-holder, or by the city taking more and leaving less in the pocket of the landlord. If ground rents continue to rise it will be because the occupancy of land is increasingly valuable and the tenants get more in service and benefits.

*Harry Gunnison Brown:* A land-value-tax system, whether the proceeds are spent for so-called improvements or in other ways that benefit the people of the city or other area while avoiding taxation (or so much taxation) on their capital and labor, certainly does tend to make people desire to live in such a city or other area and to carry on industry there. And it certainly tends to raise the rents of pieces of

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land in such an area. But the land-value tax, by taking more—or almost *all*—of the rent for public purposes, tends to reduce the *net* rent to owners and to *lower the sale value* of land.

Such a policy, by drawing capital and men *away* from other areas, *reduces* the demand for land and the rent of land in such *other* areas. If the land-value-tax system is adopted in the other areas also—say it is adopted throughout the United States or (still better) throughout the Western World or the entire world—the tendency for capital and men to move into the land-value-tax areas and out of the others, becomes a kind of competing bid from each area to keep its capital and workers from leaving to go to other places where, also, conditions are improved by the same tax system. The productivity of labor would be raised everywhere and land rent certainly would *not* go up to such a point as to leave no gain to workers. On the contrary, by penalizing the holding of good land out of use, this tax system would definitely tend to make land rent decline.

However, even if land rent did thus rise (but why should land be so in demand in any one locality when similar advantages could be found in thousands of other localities?), taking this rent in taxation would still make it available for the benefit of the entire public, and not for individual landlords.

#### IX.

Is advocacy of income and inheritance taxes and gasoline taxes, for national and state revenues, incompatible with advocacy of land-value taxes for municipal and county revenues?

*Glibert M. Tucker*: No, not in the least. A gasoline tax is practically a severance tax and is wise. As for the inheritance tax, I should prefer it if it were truly an inheritance tax and not a bequeathal tax, or as the English put it, "a death duty." I don't like the idea of robbing the dead! Instead of a tax on the estate of the dead, graduated according to its size, I would prefer a tax on inheritances, graduated according to the total inherited by the same heir from all sources and from all estates. I think of a wealthy man who has inherited substantial sums from at least seven different estates. If we are to have graduated taxation, is it not just to tax him more heavily on these funds, which he has not himself earned, than to tax on the basis of each estate?

The ridiculous "next of kin" principle, which so often leads to litigation and consumes many an estate, might well be modified, provided that, in the absence of definite testamentary

provisions, the only positive claims on the property of the deceased shall be those of husband or wife, parents, grandparents, direct descendants and perhaps brothers and sisters. Beyond these, who have often a valid moral claim, and in the absence of other specific bequests, the estates of the dead may well escheat to the state.

*Harry Gunnison Brown*: Such advocacy is not incompatible with advocacy of land-value taxes for municipal and county revenues. Nevertheless, I think we should not too hastily conclude that *only* local governments must have any of the rent of land, or that such natural resource rents or royalties as the returns from oil wells should be left exclusively to *local* governments. It might turn out that such taxation could be handled more effectively by state and/or national government as a part (most) of income taxation. And perhaps, when oil is discovered in some local area—by a sort of *accident*—it is appropriate that not just a county or city but the state or nation should draw large revenue therefrom.

Furthermore, whatever may be said of the desirability of income taxes (compared with, for example, taxes on tobacco or sales in general) as a supplement to land-value taxation if and when the latter is inadequate, no such income taxes ought to be considered as in any sense a substitute for land-value taxation or as a means of relieving landowners of contributing substantially all of the annual rental value of their land. In a recent article on Australian tax policy (*American Journal of Economics and Sociology*, July, 1949\*), I italicized most of the following statement which seems to me important for us all to bear in mind:

*The truth is . . . that, certainly within the limits of what a tax taking substantially all of the annual rental value of land would yield, such a tax would be more advantageous even to propertyless wage earners of small income, than the most drastically progressive tax on earned incomes or on all incomes together, and this even though such drastically progressive income tax were to take nothing at all from such wage earners.*

The arguments in favor of inheritance, the case for taxation of inheritances and the question of the graduation of such taxation on the basis of distance of relationship of heir from deceased and amount of inheritance, I have discussed at some length in my *Basic Principles of Economics* and also in *The Economic Basis of Tax Reform*.

\*Reprints of complete article ten cents each.