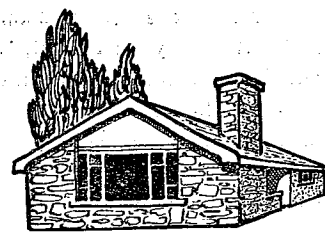


Will a Tax on Land Values Yield Enough Revenue?

By A. J. CARTER



A TAX on land values by which all rent is collected for public purposes is primarily a means of upholding the equal rights of all human beings to natural resources. The amount the tax yields does not affect the principle. Indeed, in a sense there is not a tax at all, for the State does not claim a share in the property of land holders but simply prevents the misappropriation by them of what belongs to the community. What is called a land-value tax is not a levy by the State on individuals but the stopping of a levy by privileged individuals on the common fund. It is not the creation of justice, for the justice exists naturally; it is the removal of the man-made perversion of justice.

Land Value Tax and Optimum Expenditure

The present writer is one of those who feel that there is a purpose running through nature and that if we trust that purpose, and allow it to work through our self-will, we are led to do the right thing at the right time. It cannot be a coincidence that the rent of land is so well fitted to provide the revenue for public expenditure. A tax on land values is not merely the best of many taxes, with rather more advantages and less disadvantages than its near rivals, it is unique first because it is not a confiscation but a retention, and secondly because its effects are not negative but positive. In short it is the right tax.

This conviction is admirably summed up in *Social Problems*, where, in chapter XIX, Henry George writes as follows:—

“We know, beyond peradventure, that the natural or right way for a man to walk is on his feet, and not on his hands. We know this of a surety — because the feet are adapted to walking, while the hands are not; because in walking on the feet all the other organs of the body are free to perform their proper functions, while in walking on the hands they are not; because a man can walk on his feet with ease, convenience and celerity, while no amount of training will enable him to walk on his hands save awkwardly, slowly and painfully. In the same way we may know that the natural or right way of raising the revenues which are required by the needs of society is by the taxation of land values.”

May it not therefore be a possibility that the optimum level of public expenditure, national and local, is determined by the total revenue from the rent of land; that

a government that spends less is not doing its duty, and a government that spends more is overreaching itself? This is a guess, and cannot be supported by logic or by economic evidence — except for the broad fact that as society advances and more revenue is needed, the value of land increases. All that can be said is that if this axiom were accepted, some of the strain and much of the flabbiness of government would disappear. The criterion by which it would be determined whether a nation should engage in, for example, a programme of space exploration would be that of ease of finance. If such a programme could be paid for without restricting more essential services, the members of the government would know it was prudent to go ahead if they wished to, though of course they might prefer to sink a shaft to the centre of Earth or build a sea wall right round Britain — nature does not abrogate human choice.

There would be few decisions that something was desirable for prestige only, for to build a Cunard liner the government would need not to build a hospital, and this would be electorally hazardous. Prestige would be a by-product of achievement, and could not be foolishly sought as an end in itself. A government would not hanker after an inflated status, but would do what it could afford and accept the international rank that its actions earned for it. In this context, it is interesting that wise spending on hospitals, roads, slum clearance and the extension of public amenities would increase land values and therefore be a sound investment for the nation. Any sensible government would build a road before a sputnik because a road would help to pay for a sputnik.

Defence

However, even if every free country were to adopt land-value taxation tomorrow, the effects of past mistakes would still have to be reckoned with. Directly as a result of allowing free enterprise to function only with the private ownership of land — a maladjustment which led to rampant poverty and the supposed failure of the capitalist system — there has arisen a great cancer in the organism of world society, and as this cancer threatens to take possession of the whole body of nations a vast amount of productive effort has to be wasted in checking its growth.

The rent of land will not suffice to pay for the cold war, nor for a hot one. It will not contain provision

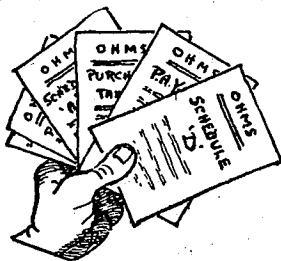
for interest on a National Debt that should never have existed. It may yield enough to cover the cost of small armed forces (though even this is highly doubtful), but it is certain that it cannot meet the cost of early-warning radar installations or hydrogen bombs. The recommendation of nature is that all men should live in peace, and in the natural provision for public expenditure there is no excess for squandering in destruction or on maintaining barriers between man and man. If men must fight wars, they cannot expect the natural source of revenue to help them.

False Assumption Underlying Welfare State

Another devourer of public money is the Welfare State, the essence of which is the making available to all of benefits that only the rich can afford. The assumption underlying this policy is that there is a large section of the population who are too poor to pay for their own medical care or save for their retirement, and that it is necessary to help them to do so. The belief that people have to be helped to provide for themselves in these and similar ways is so widely accepted that its absurdity is rarely noticed.

Before the Enclosure Acts, every man had his plot of land, communications were poor and life was rough, but at least every man could support himself. Since those times the material progress of this country has been immense: if all were at rights the standard of living of the population would have soared, and every man would be able to satisfy the advanced needs of today as successfully as his ancestors satisfied the rude needs of centuries ago.

The moral facts are equally clear. Either all men, including the future generations, have equal rights or they do not. If, as is generally accepted, these are natural rights, there would be a strange inconsistency in the natural order if some men could provide for themselves while others were denied this opportunity.



When the social maladjustment that causes poverty is corrected by the taxing of land values and the untaxing of improvements, the need for much of the complicated apparatus of the Welfare State will disappear. It is easy

to state this as a generality, but less easy to work out which services should be removed and kept, and how much money would be saved. Although nobody wants a blueprint that all must follow — especially on a subject about which party political conflict will be healthy and voluble — there does seem to be an urgent need for someone with a mind for statistics to make an analysis of expenditure on the Welfare State. If such a person were to publish a detailed examination of the whole of government expenditure he would be doing a great service,

for sooner or later opponents of land-value taxation will thrust a list of income and expenditure into our hands and ask us what we would cut.

Welfare Insurance

There will undoubtedly be a continuing demand for improved welfare services, but there is no reason why all those services need be organised by the State. As much choice as possible should rest with individuals and as wages rise individuals will be prepared to spend proportionately more on welfare benefits. A man earning £10 a week may be reluctant to visit a doctor whom he must pay; perhaps he would rather suffer influenza. But a man earning £20 a week would visit his doctor not only for influenza but for a cold.

If a State scheme of insurance were run alone, participation would presumably be compulsory. If a State scheme were run side by side with private schemes, insurance might or might not be compulsory.

An answer to those who think that if the National Health Scheme were not compulsory health would necessarily suffer is afforded by the United States, where three-quarters of the expenditure on health is private. According to an article by Mr. D. S. Lees, of the department of economics at Keele College (*The Times*, March 22, 1961), the total expenditure on medical care in the United States increased from 4.5 per cent. of the gross national product in 1949 to 5.5 per cent. in 1959. This compares favourably with the figures for Britain, which are 4.19 per cent. for 1950 and an estimated 4.14 per cent. for 1961. Not only does the United States spend proportionately more on health than does Britain, but her expenditure — determined mainly by consumers — has been rising faster than in Britain.

It may be felt, therefore, that some if not all welfare insurance should be left to individuals to arrange with private firms as they please. If, however, society decides — as it may — that there are advantages in a State scheme for health, pensions or anything else (whether compulsory or not) such a scheme should be self-supporting. Those taking part should make contributions, and all expenditure should be financed from these contributions. This is the right principle of all insurance, and there must be no tinkering with it. Not one penny should be transferred from the proceeds of ordinary taxation, and if the premium necessary to make the scheme self-supporting is felt to be too high the scheme should not be started.

Lower Level of Expenditure

When considering the question of whether a land-value tax would yield enough revenue, other major economic reforms cannot be ignored. Nature no more intended trade barriers than she intended the income tax. Plainly, the revenue from a land-value tax would not be supplemented by incidental revenue from protective tariffs,

On the other hand, the subsidies which government today delights in making would have no place in a society free from both poverty and privilege. There would also be a considerable saving in administrative costs generally, due to the decrease in the responsibilities of the State and the simplicity of a land-value tax compared with the present taxes.

For all these reasons, the level of public expenditure that a current land-value tax could be expected to cover is substantially lower than the £6,000 million of the latest budget, but expenditure could not be reduced to this lower level merely by taxing land values, for the obligations of defence and of servicing the National Debt — payments for past mistakes — cannot be shirked. A sound-money policy might lead to some reduction in the National Debt, but it is clear that, even if the colossal National Debt is paid off altogether, the land-value tax will be a single tax only when the world is no longer at war with itself.

Amount of Revenue

To calculate how much this country might spend if it were economically free is a difficult task enough, but it is even more difficult to estimate how much revenue a land-value tax would yield. During the passage of the Rating and Valuation Bill in May last year, Mr. Donald Wade, M.P., tried to move an amendment in favour of a pilot land valuation, but the amendment was not called. However, such a pilot survey may be privately undertaken. If so, the results will make possible a much closer examination of revenue problems, and will probably help the case for levying rates on site values, but they are hardly likely to stir the nation into a passion for land-value taxation, for, provided the writer's previous arguments are valid, the estimated yield for the Treasury must fall far short of the present high level of government spending which people wrongly suppose to be vital. If allowance could be made for the element of false value due to speculation, the gap would be even wider.

Nevertheless, the fund of land value in this country far exceeds the sum required to finance the primary functions of government, such as the administration of justice, for Britain is highly developed compared with many countries of the world, and productive power — which is reflected in the value of the land — is continually increasing. Although most of the surplus will be used to pay for desirable projects at home, it is right and, from political motives, inevitable that government will wish to allocate substantial sums to helping the peoples of under-developed countries.

Foreign Aid

The main reason for the backwardness of so much of the world is the ownership of land by the few, and the best way to remove that backwardness is to remove its cause. Many nations see the evils of big landlordism, and are busy dividing land into small parcels. This is

not a long-term answer, but it will result in the benefits of aid being fairly widely spread. Every effort should be made to ensure that these benefits go to those who need them, and a great deal of thought should be given to the perplexing question of how to avoid wastage into the pockets of the rich and powerful. This is especially important because the sum that can be devoted to international charity is limited, it being no duty of government to impose additional and unjust taxes on one group of people in order to help another group.

A policy of free trade on the part of Britain might help to increase living standards in low-wage countries, and, in the words of a leading article in *The Times* recently, "It will be hypocritical to provide capital for the development of such countries and put enduring obstacles to their trade in the largest markets in which they can sell their goods; to give aid and prevent trade. The best aid will in fact come from trade." How much of the benefit of increased trade would reach the people at large would depend, again, on how extensive was the programme of land reform: advances in trade, like advances in production, usually mean advances in rent.

Land Values Follow Aid

An interesting example of foreign aid was given by the United States Information Service. Describing man's fight against malaria, one of the countries mentioned was Afghanistan:—



"Before the DDT campaign in the Ghui district, land was priced 300 afghanis per acre. After the campaign, in 1952, land values rose to 5,000/8,000 afghanis per acre. Dividend: the value of land increased by as much as 7,700 afghanis per acre."

It is splendid that the people of Ghui district were freed from malaria, but if land values were taxed not only the few but the whole people would have benefited from the "dividend." If, as seems likely, this campaign more than paid for itself, the United States could have received payment in full for her assistance and there would still have been something left for Afghanistan, which is one of the most primitive countries in the world.

Income and Expenditure

We can have no quarrel with a man who, after deciding on the standard of living he wishes to achieve, seeks a job by which he can sustain it. If, however, he decided on a standard of living higher than his wages would sustain and then resorted to theft, we should quarrel with him very much — in fact, we should send him to prison. Nor would the jury be much impressed if he claimed that he needed the money to buy a yacht (because his neigh-

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A Statement of Principles

THE collection of the rent of land for the community by the Taxation of Land Values is not the only reform necessary, but it is the first reform and it would make all other reforms easier. The social and economic effects of raising public revenues by land-value taxation could be threefold.

IN THE FIRST PLACE taxes that now fall upon wages and production could be abolished. No one need be taxed for building a house or improving a farm, for bringing things in from other countries or for adding in any way to the general stock of wealth. Everyone could be free to make and save wealth; to buy, sell, give, or exchange, without hindrance, any article of human production the use of which did not involve any public injury, infringe in any way the freedom of others or result in their exploitation. All those taxes which increase prices as things pass from hand to hand, falling finally upon the consumer, could be dispensed with.

IN THE SECOND PLACE, a large and constantly increasing fund would be provided for the community's use as the labour, enterprise and industry of the people increased the value of land.

IN THE THIRD PLACE, and most important of all, the monopoly of land would be abolished. The economic effect of taxing land values whether land be used or not, would be to make certain that all land was put to its best use. The effect of thus freeing the land would be to make it available for the many needs of labour and capital. The temptation and power to speculate in natural opportunities would be gone. The speculative value of land would be destroyed as soon as it was known that the land-value "tax" would be increased as fast as land value increased. The benefits would go not to individuals but to the community generally — individuals, however, retaining the full results of their labour and enterprise.

Thus the fundamental cause of the present unequal distribution of wealth would no longer exist. When men have equal rights to the value of land and are able to produce freely and on equal terms with their neighbours, when they are freed from monopoly and privilege in all its forms, then employment will cease to have the underlying implication of economic servitude, and take on its natural form — that of free and open co-operation. Wages will then be carried up to what is truly their natural rate — the full value of the produce of labour — and will be kept there.

WILL L.V.T. YIELD ENOUGH?

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bours had yachts) or to maintain his reputation as a philanthropist.

Today, government is like this man. It decides on the expenditure it supposes to be necessary, and then raises the revenue any way it can, principally by taxing the rewards of labour and capital. The thief stole to augment his rightful income, but government does not even bother to collect its rightful income.

For all the complexity of money matters in this very complex age, the analysis of Mr. Micawber in "David Copperfield" remains sound:—

"Annual income twenty pounds, annual expenditure nineteen nineteen six, result happiness. Annual income twenty pounds, annual expenditure twenty pounds ought and six, result misery."

A single tax on land values at this moment is theoretically impossible. A society that has been doing the wrong things for many years inevitably incurs liabilities which have to be met even when it begins to do the right things. But to say that the land-value tax will not be

enough to finance preparations for war is not to say that the single tax is wrong but that the preparations for war should never have become necessary. In practice, mankind will either reach peace or destroy civilisation long before it draws near to the single tax.

The Final Goal

However slow progress may be, and whatever the imperfections that must be endured while that progress is taking place, there should be no losing grasp of the truth that it is essentially unjust to tax wages and interest while the rent of land remains untapped. When once it is established that there is a right way to raise revenue, all else falls into place. There should be no recourse to raising revenue by other means (except in extreme emergency). There is then no escaping the fact that expenditure must be restricted to accord with income. This discipline will not be popular with governments; but it may well be that our descendants will look back on the £6,000 million a year times as times of appalling over-expenditure, and be shocked at the ways in which public money was wasted by people whom they will consider, perhaps, as not only misguided but blind to the economic structure of the society they were trying to serve.