

CAN A MODERN GOVERNMENT BE SUPPORTED BY LVT?

By LAWRENCE D. CLARK (Medfield, Mass.)

This question is continually raised, often by opponents of land value taxation, but sometimes by followers of Henry George who fear that somehow the world has outgrown the remedy George proposed for its economic ills.

Those who try to answer the question by collecting statistical data and making calculations from these data are faced with many problems. How much land is presently under-assessed? Which land is incorrectly assessed and by how much? How does one determine the true total land value in a town, county, state or nation?

Those who have tried hard have usually come up with a positive answer, ranging from "Yes, there would probably be enough revenue from LVT to support government," to Jeffery Smith's estimate stated in the Spring Georgist Journal, that land rent in San Diego County would provide a surplus of more than half, which ought to be paid to citizens as a dividend.

There is a way to think about the question which avoids the difficulty of gathering data and making calculations.

If the Federal income tax in the United States were to be replaced with a Federal land value tax, it could be thought of as only a redistribution of the tax load among the same taxpayer population. If the total taxpayer population can supply the revenue it now supplies using an unjust formula for determining how much each taxpayer pays, is there any reason to suppose that this same population of taxpayers could not supply the same total revenue under a new formula for redistributing the tax load? The new formula would give a fair and just distribution of the load and would no longer place a burden on productivity.

It seems clear that the Federal government could obtain the same amount of revenue from a land value tax as it now obtains from the income tax simply by applying the necessary rate to land values. The tax load would then be distributed in proportion to the income produced by each taxpayer. To the extent that the assessed land values used in implementing the new formula are incorrect, the new distribution of the tax load among the taxpayers will be imperfect, but it will be infinitely better than the distribution provided by the income tax formula.

Collecting the same amount of revenue will not, of course, enable the government to balance the budget or pay off the national debt. There is good reason to expect, however, that there would be an automatic increase in revenue with the land tax because of the effect the new tax system would have on the taxable value of land. Increased economic activity would mean increased demand for land and increased demand would mean increased land value.

Another effect of the new tax system would be almost total elimination of the welfare costs incurred by the Federal government, thus reducing the revenue required to balance the budget.

With the land value tax, more revenue can always be obtained by raising the tax rate without harming the economy or placing an unfair burden on any one.

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(Mr. Clark wrote a letter to Colby Chandler, Chairman of the Eastman Kodak Company, explaining Land Value Taxation. In reply, Mr. Colby wrote, in part: "I agree with your general comments that we need to restructure the tax system in the U.S.... I shall do my best to represent the issue of land value taxation properly.")