

THE REALM OF TAX REFORM

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W. A. Dowe (In GJ No. 30) objects to using the terms land value and land value taxation because the meaning of land value has changed since Henry George's day and land value now means selling price.

Who decides that the meaning of "land value" has changed? Getting into trouble over semantics is one sure way of getting into trouble. I do agree with Mr. Dowe that we Georgists need to be sure we are conveying the message we intend when we write or talk, but I do not agree with his condemnation of the use of the term "land value tax."

It is a basic fact that if we collect a progressively larger fraction of the rent of land as a tax the market value or selling price of land will drop nearer and nearer to zero. The market value, as I understand it, is the capitalization of the net rent, and the net rent equals the full rent minus the land tax. Certainly it is true that we Georgists are in a sense out to destroy the market value of land. But we are not going to actually destroy any real value. If we collect the land rent as a tax the land will have just as much value as ever, stated either in terms of the annual rental value or in terms of the capitalized value of the full rent. What we Georgists want to do is not destroy land value but see to it that land value is collected for all the people instead of being left as unearned profit for the privileged few. I recognize of course the artificial inflation of the market value of land that results from the holding out of use of land by the speculators. This would disappear if we collected the land rent as a tax, but the true value for use would remain.

How do you determine how much the true economic rent is? Mr. Dowe and others seem to imply that somehow economic rent is a quantity which is obvious, some kind of separate sacred entity which is immune from the common laws of economics and the marketplace. In practical terms, how do you know how much to collect from each land owner? Is it not true that as long as the land still has a market value which the owner can collect as rent or as a selling price you will know that you are not yet collecting 100% of the rent as a tax? Is there any way to start on a Henry George tax program other than to use an assessed value of the land? I care not whether you state the assessment in dollars per unit area or dollars per year per unit area. Call it a land value tax, call it an incentive tax, call it the good old Single Tax. By whatever name you call it, it will sound as sweet to me!

One more point. I think the consequences of considering the Georgist movement as not a tax movement are much worse than the consequences of calling it a tax movement. I am well aware of the fact that the land rent itself is not a tax but a payment that must be made to some one for the use of land and that rightfully that some one ought to be the government on behalf of all the people. In fact, many years ago I used to read regularly the late L. D. Beckwith's publication called No Taxes (we pay ours in rent). But I am also aware that the genius of Henry George lies in the fact that he saw a way to correct the evils of the private ownership of land without disturbing the ownership. He took the remedy out of the realm of land reform and placed it in the realm of tax reform. He put us followers in a position where we can refute accusations of communism directed against us by pointing out that we do not wish to seize any land at all. To quote our leader: "It is not necessary to confiscate land; it is only necessary to confiscate rent... What I therefore propose... is to appropriate rent by taxation." (Progress and Poverty)