

Shifting the Tax

by Steven Cord

IF THE land value taxation could be shifted to the tenant, as is sometimes claimed, there would be little point in urging its adoption. The tenant would be paying just one more tax and the landowner would still be free to collect a rent on land.

The use of land has a certain value and we call that rent. It is divided between the landowner in land-rent, and the government in land value tax. If the tax is raised the landowner's share becomes less, and vice versa.

A vacant lot is worth, say \$1,000 a year, and that is all a potential user will pay. If the local government imposes an annual land value tax of \$400 on it the potential user will still be willing to pay only \$1,000 a year. But now the landowner keeps only \$600 a year and pays \$400 to the government. The tax will not be passed on.

Price is determined by supply—the greater the supply the less the price. The supply of land is not diminished by a land value tax—actually such a tax would force more land onto the market by causing it to be put to its most productive use—since landowners would be forced to improve their holdings. This increased supply would tend to lower the price of land, or rent.

If we imagine a city government to be collecting the entire rent from

land, which is after all what land value taxation would mean, and the landowners also collecting rent, the tenants would be charged double. This would result in an immediate exodus.

A city government, because it has a monopoly, could still insist upon collecting its share of rent, but landowners would have to compete with each other in reducing their land-rent demands. Gradually the latter's share would dwindle to nothing, and the tenants would be paying the same as before. But now the government would get all and the landowners *per se* would get nothing.

This illustrates that the landowner, not the tenant, pays the land value tax. I have consulted many authorities on this and all agreed. There are few instances of such unanimity in economics.

A word of caution, however. It might be possible in practice, that over an interim period of one or two years, the landowners would be successful in passing on a part of such tax. They might act immediately in raising rents while tenants would be delayed in finding new locations. Gradually thereafter rents would seek and maintain a normal level. In all localities where the land value tax is in effect it has proved to be, as Henry George predicted, to be the one tax that could not be passed on.

Coronet magazine, reporting a "land boom" in Arizona, discloses that desert land which went begging at \$25 an acre a few years ago is now selling briskly for \$450; also that a speculator who bought a corner property

in 1948 for \$42,000 has refused \$450,000 for it, and is holding out for a cool million. Perhaps it is just coincidental that about 40,000 people are pouring into Arizona and that the population has more than doubled!