

Puzzling Problems

[Following addresses given by H. Bronson Cowan before Canadian teachers and students in Henry George Schools and at public meetings, various questions were asked concerning the results of his investigations in Australia and New Zealand of the effects of site-value taxation. At the request of The Henry George News Mr. Cowan has consented to supply brief replies to some of the most important of these questions. Following is the first and most frequently asked question. Perhaps if readers have a favorite query Mr. Cowan would be willing to reply.]

How Do Taxes on Land Values Affect Land Values?

Henry George claimed that as taxes were removed from improvements and production and increased on land values the value of land would increase and thus provide a steadily expanding tax base. Many Georgists are arguing that one of the best methods of improving housing conditions is to reduce the sales value of land by un-taxing improvements and increasing the taxes on land values. They assert that this would reduce speculation in land values and make it possible for people to buy land more readily and at lower prices. Both cannot be right. Do your investigations throw any light on this subject?

Mr. Cowan's reply:

By and large Henry George was and is right. But opponents of site-value taxation are able to produce numerous facts which appear to prove the opposite.

While in Australia and New Zealand I examined the assessed land values of some 50 municipalities just before the adoption of site-value taxation and immediately after its adoption. In no case did I find any material difference in the value of the land. This would appear to refute both arguments. There are conditions under which this might not be the case, such as were the change over to be made during a boom or depression period, but I did not strike such a case.

The Value Dilemma

Confusion arises out of the use of the words "land values." The composition of land values may differ in adjoining municipalities and even in the same municipality. This is because land values are composed of different elements or parts. Thus two plots of land having the same value may differ greatly in value. There are sales values, assessed values, productive values, gross values and others such as monopoly, speculative, improved, boom, depression, normal, net and investment values. One piece of land may have several of these values and another, in the same municipality, may have others, yet their total value be the same.

The main explanation why land values show little or no increase or decrease on the adoption of site-value taxation is because ordinarily there is no material increase or decrease in the total taxes imposed. The taxes imposed on improvements before the change are re-imposed on land values. Thus some properties have their taxes reduced and tend to increase in value. Other properties have their taxes increased and tend to be depreciated in value. Nevertheless the composition of the land values is very different after the change from what it was before the change took place. Would be home owners get more value from their investment. That, however, is another story.