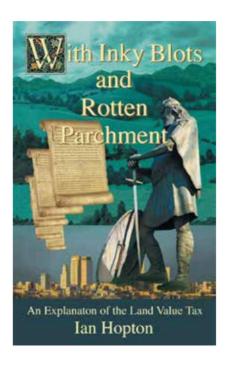
reviews



WITH INKY BLOTS AND ROTTEN PARCHMENT: AN EXPLANATION OF THE LAND VALUE TAX BY IAN HOPTON

Reviewed by Edward J. Dodson

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The sad truth is that few people around the globe have ever heard of or read about one of the most potentially significant reforms in how governments raise revenue needed to pay for public goods and services. Ian Hopton has chosen to write yet one more book on the subject in such a way that those with inquiring minds will be rewarded by the effort. The ground he covers is extensive and the story filled with challenging analysis. He begins by confirming what his readers already know. Every society requires revenue with which to pay for the public goods and services we agree are needed. Much of this revenue is raised by imposing taxes on ourselves, on our assets, on some of our behaviours and on our commerce. But not all:

There are ways other than through taxation by which governments may raise revenue, for instance through borrowing or simply printing money, but these are secondary methods which are resorted to mainly in times of emergency.

One could easily counter that we seem to have entered a period of continuous and worsening emergencies, while at the same time encountering a growing and very organised resistance to any further taxation. In this political environment, a major challenge is convincing people that one source of public revenue (i.e., the potential annual rental value of locations and other natural assets) is undertaxed. As the reader learns, this is commonly referred to as "the land value tax" alternative.

To generate support for the land value tax proposal, Hopton does his best to explain to readers that even less optimal sources of public revenue have served good purposes. However, some forms of taxation are much less good than others. And, some types of taxation are counterproductive. This is where the taxation of land values comes in because such a tax is inherently a 'beneficial tax' as well as 'a fair tax'. One can say, in fact, that the payment is in return for benefits received and is not a tax at all. We all enjoy access to the public goods and services provided by our communities. As Hopton explains, the extent to which we value these public goods and services is reflected in the price commanded for different locations:

With the growth of a community the value of any site will increase due to the surrounding communal activity or community-funded infrastructure that has the effect of enhancing the value of the site.

The problem with most conventional forms of taxation is one of an unearned windfall on those who happen to hold title to locations experiencing rising demand and, therefore, rising value:

This increased value falls fortuitously to the benefit of the owner and may be realised in the form of increased rents or capital value at any point of sale. The revenue thus derived is not due to any work done by the owner, and is clearly unearned.

Ian Hopton wants his readers to understand that for centuries they have been held hostage by landowners and land speculators who dominate what he refers to as "the rentier system" that exists to this day. This system, put into place many centuries ago, was consistently condemned by history's most enlightened thinkers, going back to Adam Smith and even earlier.

Necessarily so, Hopton is a patient teacher. He anticipates potential areas of confusion and makes a good effort to answer questions before they might come into the reader's mind. In the process, what is taught are the laws of production and distribution essential to an understanding of political economy and human behaviour. Rather than take the time in the text to provide readers with definitions of technical terms, he provides a chapter at the end for this purpose. This works fine for readers who have studied political economy from other sources. For others, I would recommend reading the chapter on definitions after reading the introduction.

The most challenging part of the book comes early in his presentation of how every location in a community comes to have a rental value and how this rental value increases over time with the growth in population. Hopton's text is supported by detailed graphic illustrations. I urge readers new to this analysis to read closely his explanation of how speculation in land distorts the efficient settlement of land and subsequent economic production.

Almost all of what is in this book is available elsewhere. Importantly, he has included a section on resource rents, a subject with its own peculiarities to those of urban locations or even that of tracts of agricultural land:

Rural land may have value already due to natural circumstances, and thus may be increased through directly applied work. The three dimensional resources of coal, oil, fish etc. are tangible physical resources that require work to convert them into useable wealth.

He has brought the story up to date and offered a cogent and persuasive case for land value taxation as a viable and necessary change in the source of public revenue. And, he has achieved this in less than 150 pages. As a primer on the subject the book succeeds and will hopefully attract readers who have to this point developed no interest in the subject.

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