

The Burdenless Tax

by ROBERT DE FREMERY

ANY PERSON who has studied taxation will recognize the disastrous effect that most forms of it have upon a free enterprise system. And the deeper he goes into the subject, the more aware he becomes of one kind of tax that not only has no harmful effect upon productive activity, but actually has a beneficial effect. (House & Home, the leading magazine for the construction industry, has pointed this out several times in the past few years.)

As each community grows, the rental value of its land, as distinguished from improvements, grows with it. And as public funds are spent for streets, highways, irrigation projects, schools and the maintenance of law and order, the value of the land benefited by these public improvements is maintained and increased. So what is more logical than for each community to recover as much of this publicly created value as possible—thus making it unnecessary to levy taxes on privately created values such as homes, factories, machinery, earned income and all the wealth produced by those not on a public payroll?

It is significant that years ago at one of the annual meetings of the American Economic Association, the subject of land value taxation was thoroughly discussed and an overwhelming majority of those present agreed to the following points:

1. The site value of land is a creation of the community, not a creation of the landholder.
2. A tax levied on the site value of land cannot be shifted or recovered from the tenant by raising his rent.

3. A tax levied on the site value of land is burdenless. The community, in taxing site value, is merely recovering a value it has created.

Recently Dr. Glenn Hoover, former president of the Pacific Coast Economic Association, stated that most economists today would agree on these points.

Opponents of land value taxation are very prone to hurl the word "confiscation" at those who favor securing as much public revenue as possible from the publicly created rental value of land. But obviously all taxation is confiscation. And the type of confiscation we *should* abhor is the confiscation of *privately* created values that ought to remain in private hands as a spur to the creation of more wealth. The only way we can really protect privately created values and keep them free of taxes is to confine taxation as much as possible to the *publicly created* value of land.

When we don't make full use of this natural source, citizens are encouraged to speculate in land, diverting savings from productive uses and causing the price of land to climb. Local, state and federal governments are forced to levy taxes on privately created values like homes, incomes and purchases. Public spending becomes uncontrollable because of the influence of lobbies favoring public works that will benefit certain land holdings at the expense of those who pay income, sales and gasoline taxes. And slums grow in the center of cities as a direct result of undertaking valuable land while taxing owners who improve their land.