

A REPLY TO THE CHALLENGE

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I have read with interest the discussion paper by Mr. Pot. Firstly, let me say that I heartily approve of the community collecting site rent for revenue, particularly if this could eliminate all other forms of revenue collection.

Secondly, it does not matter whether it is called rent or royalty or land tax or site tax or site rent or site revenue, etc., so long as the charge for the opportunity to hold land is collected by the community from all sites.

Thirdly, I approve strongly of the community leasing sites which it "owns" at present, to collect the "full" economic rent; and the community must never in the future sell the rent-free title to any of its land. However, this does not call for the purchase of existing alienated sites.

Mr. Pot disparages site taxation and ridicules a 1% tax. He should not do that, even if it is only collecting a small proportion of the rent. He should instead support the intensification of site taxes on all sites.

Let us consider a site worth \$1000 on the market under present revenue conditions. Normally a site's worth yearly can be roughly estimated as one-twentieth of the market price of the title. So in this case the purchaser considers the yearly worth after paying the tax to be \$50 per year. Now if the site holder pays 1 cent per dollar on \$1000, he is paying \$10 to the community (as rent) and retaining \$50. So, out of a total of \$60 worth he is paying \$10 to the community, or about 16% of the site rent, which is not inconsiderable. It is more than the 1% it appears at first.

There is a simple formula for estimating the percentage of rent collected:

$$\% \text{ of rent collected} = \frac{R}{R + 5} \times 100,$$

where R is the site tax rate in cents per dollar. The 5 is 5% interest rate. Thus, at a tax rate of 5 cents per dollar,

$$\frac{5}{5 + 5} \times 100\% = 50\% \text{ of site rent collected.}$$

As the rate is increased, each successive equal step takes a smaller extra proportion. As the site rate increases, naturally the price of titles falls, and frequent revaluation is needed during periods of increase.

George proposed that all occupiers would pay a uniform site tax. All site occupiers would be treated equally. This is just. But Mr. Pot proposes two classes of site holders: one would pay full site rent to the community to provide the services and privileges which make sites valuable; the other class would not pay site rent to the community but would benefit from the services provided. This is not just.

Mr. Pot says his plan will get the full rent at once and he suggests the site tax does not. But this is not so. He proposes to get no rent from a very high proportion of the sites. He is certainly not likely to get 16% to 25% of site rent for the first year as would a tax of 1% to 2% on all sites.

As for the buying proposal, Georgists must not approve of payments by the community to persons because they happen to have titles to land. No ransom is necessary with site value taxation. It is the duty of good government to collect payments for the benefits it provides.