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Should we advocate that, in the long term, government should collect the exact full site rent for revenue? Or should we advocate seeking to collect close to the theoretical site rent - say roughly 90%, while leaving roughly 10% with site holders, as advocated by Henry George (Progress and Poverty, Book VIII, Ch. II).

I favour this second approach as being the more feasible, more practical and more appealing, and less open to criticism by practical economists. It also

allows a gradual introduction over a number of years by steadily increasing a uniform site value tax to a rate of 50 cents in the dollar. Karsten Larsen's equation in GJ 66 which correctly indicates that the proportion of the "full theoretical rent" which is collected by a tax rate of  $t\%$  is:

$\frac{t}{1+t}$  where  $i$  is the interest rate for the return from land value.

So, for an appropriate interest rate of say 5% and a tax rate of 50%, the proportion of rent collected is:

$$\frac{50}{5 + 50} = \frac{50}{55} = 91\% \text{ (roughly)}$$

On the other hand, the concept of "exact" full rent is doubtful. It is hazy in practice because rent is a price for the hire of land. Rents, like all prices, vary from month to month, season to season, and vary with changes in technology, population and overseas markets. Some margin (say 10%) is needed to prevent site holder from being rack-rented. "Exact" is impossible.

The use of a site tax rate which takes about 90% of rent results in there always being a tax base, and we need not bother about the suggestion that the tax base "will go to zero."