

By S. S. GILCHRIST (Roseville, NSW, Australia)

There appears to be a controversy concerning the meaning of the term "land value" and its taxation. It does not matter whether government seeks to collect site rent either by estimating site rent directly, or by collecting rent through a tax related to the market price of the title to the site.

In both cases, it is only rent which can be collected (and nothing else - not wages, not return to capital). In both cases a change is being made according to the market worth of government-provided privilege. In neither case is there any injustice (provided there are no exemptions or lack of uniformity). In neither case can government (for the community) ever collect an exact full theoretical economic rent, because in both cases a market is involved depending on human beings. There is no firm identifiable market price for sites (or anything else), and there is no firm rent (which is merely a price). Both vary from year to year, from season to season, from week to week, for many reasons.

To collect rent or site tax, it is necessary for a valuer (bureaucrat) to assess it on the basis of whatever indicators are available. The best accuracy one might expect in either case is perhaps an error of less than 10% on the basis of market rents or of prices, which may be say a year out of date. This is the case for both rent and site price.

As far as justice and basic economics are concerned it does not matter which is the "correct" intended meaning. Note everywhere above the statements are for "both" or "neither." Neither method is morally or economically wrong. Both are morally correct and economically sound in principle. There should therefore be no condemnation of either. Georgists should support both methods whenever possible.

The only possible reasonable difference of opinion should relate to the feasibility of introduction of either method. It seems that experience to date has shown that site price taxation has been implemented more easily than any rent tax; in fact, I know of no modern instance where the rent of site alone is estimated and a tax rate is set thereon. (There are undoubtedly instances where the rental of the site plus improvements is used as a tax base.) In general, there is not a great market in rents as such, but there is a clearly seen market for site titles.

The estimation of site prices has been shown to be entirely practical in Australia for some 60 years. There are trivial problems and time lags but they certainly would not be less in a site rent assessment. The direct renting of sites is possible with honest government, and some success was shown by the use of leaseholds in western New South Wales (marginal land), in Capital Territory (Canberra) and Northern Territory, but the Canberra scheme has now entirely failed, rents having been reduced to 5 cents yearly (if requested); and Northern Territory Parliament is moving to change leasehold to freehold. But site rating (or "price") continues to work well in New South Wales, Queensland and other States, for municipal revenue.

Another point is that "taxation" is an acceptable word to the majority. They approve of taxation as a necessity; it is not a dirty word. On the other hand, every one hates paying rent. Rent is a dirty word - let's face it!

Tax allows people to keep the security of their site title, but rent would appear to take away their security of tenure. It conjures up the idea of the landlord who can evict. And there is considerable fear of bureaucratic governments which may act like such landlords. Nevertheless, let's agree to support both site taxation and collection of site rent for revenue.