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LVT IS ALIVE AND WELL IN AUSTRALIA

by

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In his articles in IUN Nos. 11 and 13, Mr. E.P. Middleton is of course correct when he suggests that the introduction of land value taxation will not cure all our economic ills; but then he cites "inflation" as the "main enemy" without providing adequate reasons and without giving more than vague generalisations as to what might be done about it.

Henry George proposed "to abolish all taxation save that upon land values." Inflation is merely one of the types of taxation which must be eliminated! It would be better if we called it "currency debasement" instead of "inflation" which is a misty sort of term. Currency debasement has been practised by many governments throughout the ages as a means of providing themselves with purchasing power, credit or money, by issuing various tokens, printed notes, treasury bills and book entries. The increased supply of such money reduces the purchasing power of existing money and robs the holders of money, those who have loaned money to the government, and others.

The need for this sort of revenue collection arises from the neglect to use the just and economically sound revenue from land tax and from uneconomic spending by government.

LVT Has not Failed

Mr. Middleton's claim that land value taxation has failed in Australia is incorrect. It is a simple fact that LVT has been used exclusively as the one form of revenue for local government in Queensland and New South Wales for over half a century and its use is becoming widespread in the other States. At a rate of about 2 to 3 cents in the dollar some 25 per cent of the site rent is thus collected. This simple direct form of taxation is accepted as reasonable and just by the vast majority. There are a few vocal landowning speculating interests which oppose it. Administration is simple and straightforward and site valuation appears to be done efficiently with reasonable accuracy. The extremely few protests do not seem to arise because of any tendency to value low and "safe." Valuations do lag somewhat behind real price levels because valuations are done about every three years. The valuation changes therefore are sometimes in disturbingly large steps. Councils tend to reduce their rates with a new valuation and then to steadily raise them till the next valuation. But these are trivial faults.

The land tax has never been applied by State and Federal governments in a satisfactorily uniform manner as there have been exemptions at below set values which were quite high and many special exemptions. Nevertheless there has been some land value taxation. Currently the State of New South Wales collects about $30 million per year. This is not large compared with the other taxes it collects ($200 million) and the grant it gets from Federal taxation which does not include land tax. The Federal land tax was abolished by the conservative government some twenty years ago. However, in the Federal Capital Territory itself there is leasehold tenure of all sites although the Government's rental charges are well below the real market trends.

The continued development and redevelopment of the city and suburbs of Sydney, a good standard of living, close to full employment of people and resources, are not unassociated with site rating; and conditions compare more than favourably with perhaps anywhere else in the world.

Unfortunately, there are strong tendencies to currency debasement, high taxes on production and exchange and subsidisation of many industries; and also efforts to remove site taxation. In this we are retrogressing and it is up to Georgists here to combat it.

A Rose by Any Other Name

As for the various proposals to substitute some other term for "land value taxation" - what does it matter what it is called so long as it is collected - rent, rental, economic rent, land tax, site tax, duty, or a rose by any other name; and so long as the charge or fee or whatever is made in direct relationship to the market value of the privilege of using the site; and the Acts of Parliament are sufficiently precise and the valuations are made with integrity and adequate frequency?

The partial applications of site taxation in Denmark, Australia and New Zealand show strong indications of being of considerable benefit in comparison with the lack of site taxation in many countries. We are better off for some rather than none at all, and there is proof that the system is feasible and acceptable. This is a first step in education towards further application. We are definitely not off the track in Australia in that respect.

If we can get 85-90 per cent of rent collected, the main benefits will be achieved in the form of removal of speculation, the efficient use of sites and incentive to full opportunities at marginal sites allowing wages to rise.

The first 5 per cent of rent collected for revenue is the most important. Each successive 5 per cent does not do quite as much; it has a "diminishing return" effect. However, although in Australia roughly 30 per cent of site rent is collected, it is not enough. Effects of currency debasement, subsidized immigration, with public works lagging behind needs, and various zoning regulations, all cause continued land speculation. Actually there is a shortage of developed land.

Land tax should be intensified, made uniform and exemptions removed. What we require is a steady increase in the rate per dollar by 1 or 2 cents each year for several years, and then increases of about 3-4 cents per year till a final rate of 50 cents per dollar is reached. This would collect about 85-90 per cent of rent. It would leave perhaps 10 per cent of rent (or 10 per cent of "untaxed land value" as land price) with the owner. This is what George suggests so practically.

It would be extremely difficult to separate land and improvements if 100 per cent exactitude is specifically sought, but by steadily increasing the land tax we can approach the feasible reasonable maximum.