

Simple Questions — Simple Answers

By A. G. HUIE, *Secretary*

Free Trade and Land Values League, Sydney, Australia

PART II

Sixth Question

"How should sites be assessed which a municipality desires for future schools, parks, playgrounds etc., but which it is not now ready to buy?"

With 100 per cent tax on land values it would not be necessary for the municipality to buy land. The owner, if he still chose to regard himself as owner, would have nothing to sell. To the extent that land values are taxed, so is the selling price reduced but not the value, we do not think that a municipality need fear any difficulty in acquiring land for public purposes.

Payment of even a portion of the economic rent of land as public revenue would operate to make owners reasonable. In any case, with a land values system partially applied, the position of the council would be much better than under present conditions in the United States or here in New South Wales.

Seventh Question

"If, as Henry George says, 'there can be no just title to an exclusive possession of the soil,' does this apply as among cities, states and nations?"

What is a just title? We take it that Henry George was referring to present conditions which enable the owner to appropriate the economic rent of land. But with George's proposal for such rent being paid to the community, an owner has a just title to exclusive possession so that he may enjoy the fruits of his labor.

A city, or any local governing area levying local taxation upon land values does so for its own purposes. It does not disturb titles. It collects its revenue from the land with such titles. What it collects is its own business. It is an independent self-governing unit.

The same applies to states and nations. Every nation must stand on its own feet. Within a nation it may be convenient for its local and state areas to cooperate with the national government in collecting the economic rent and sharing the proceeds as considered desirable. Thus only one valuation and one collecting authority would be necessary.

Eighth Question

"It is claimed that taxes levied upon land values cannot be transferred by the owner to the purchaser or tenant. Is not this so only in respect to such taxes as do not increase the real value of land?"

"Let us assume that a city issues bonds for important public improvements—say a sewage disposal plant and a new high school and a park and playground system. The interest on these bonds means additional taxes on all the real estate in the city. The improvements, however, increase land values by attracting new residents and by making the city a more desirable place for those already here. Landowners are thus enabled to secure higher prices from purchasers or tenants. Does not this mean that the added taxes are paid by the future purchasers or tenants, and is it not desirable that this should be so?"

Here is a simple question. Does a tax on land values increase the selling price of land? Landowners know quite well that it will not, even if the landless are so simple as to think it can be passed on. Would any man pay as much for an area of land subject to an annual charge or tax as he would if it were exempt?

Taxes on the products of labor do increase their cost to the consumer. Why? Because they have a cost of production. All costs must be included in the selling price or production cannot go on. But land, or natural resources, has no cost of production. So that a tax upon the community-made value cannot be passed on. It must be paid by the title holder. John Stuart Mill pointed that out very clearly long ago.

Put it in another way. Stand upon a vantage point such as a hill and look over a wide area. Some land is well used, but much is idle. If a tax is imposed on land value, who will the owners of the idle land pass it on to? They can only sell subject to the tax liability.

In the case of the issue of bonds for a sewerage system, let us substitute the Sydney Harbor Bridge. It cost in round figures £10 millions. The bill providing for its construction was passed through Parliament by a liberal government. In deference to public opinion it was provided that a third of the cost should be defrayed by the proceeds of a rate or tax upon the values of land in the City of Sydney and northern suburban lands.

It is probably true that even if the whole interest on the outlay plus a sinking fund were collected by a tax on land values, the beneficial effects of constructing such a work on the values of land are so great that there would be a margin in favor of the owners of land.

For the two-thirds of the cost provision was made for the collection of tolls on the traffic. A labor government remitted the rate on land values before a third of the cost was met. We worked out a plan for rates or taxes on land values, the highest nearest the bridge, tapering to a minimum.

We brought it under the notice of the Public Works Department. They were interested and admitted preparing such a plan themselves. But the politicians would have none of it. The toll causes vexatious delays to transport. Various estimates of the losses so caused have been published. There is a blind unreasoning demand that the bridge should be made free by passing the interest on cost over to the general taxpayer.

As it now stands the economic advantages of constructing that great work are enjoyed by the owners of land. It should be clearly understood that the construction of any great and necessary public work enhances the value of land benefited by more than the interest and sinking fund necessary to repay the cost.

As for future purchasers of land or tenants, why trouble about them? They will set up demands for further works and services. The enhanced value of land because of the increased population will be the rightful source for the means to pay for them.

Ninth Question

"Is advocacy of income and inheritance taxes and gasoline taxes for national and state revenues incompatible with advocacy of land value taxes for municipal and county revenues?"

No advocacy of income taxes is justifiable while there are publicly created land values available to provide public revenue.

Present conditions however are abnormal on account of two world wars and the possibility of a third. More revenue than the economic rent of land is necessary.

In answer to the first question we pointed out that the estimated economic rent of the land of New South Wales would provide for local and state taxation and leave a substantial balance towards the state's share of federal taxation. But it would not be enough. If resort to present form of taxation is unavoidable then the least objectionable should be chosen.

In a general way direct taxation is preferable to indirect. It does not take so much from the taxpayer. Income and inheritance taxes are not

as bad as a tax on petrol or gasoline. The latter in Australia continues at 100 per cent and over.

When you bear in mind the extremely heavy taxes on motor cars, trucks and parts, the inflation of the cost of transport is very serious. For years the economic rent will not be sufficient to pay governmental charges. The collection of the economic rent instead of taxes would have two very beneficial effects:

It would substantially lessen living and production costs. It would provide for much more efficient use of natural resources. The position would tend to right itself if we could have a prolonged peace. Further, abandoning foolish and wasteful socialistic ventures which invariably mean heavy losses for taxpayers to make up, would reduce the need for taxation of goods and services.

To the Editor of the Henry George News:

With much of Mr. Huie's reply to my nine questions I am in accord; but I would add a few comments. [*See the December News.*]

Second Question: Mr. Huie believes that the tendency to overcrowd land would be lessened under site-value taxation. Even if that were generally so, there would be many exceptions, I believe, unless needlessly intensive or anti-social uses of land were prevented by wisely drawn zoning ordinances.

Fifth Question: This question asks, "What is the best method of taxing timber land, coal land, oil land, etc., to prevent depletion of natural resources on the one hand, and monopoly of profits on the other?"

I would add to Mr. Huie's answers a recommendation for a severance tax. In the case, for example, of timber lands not owned by the state, a high tax rate assessed each year would unwisely discourage the conservation of such lands for crop purposes. But if the tax were adjusted to the value of the annual crop of timber, public needs would tend to be met without foolish depletion of natural resources.

Seventh Question: The intent of this question may not have been clear. As phrased, the question reads: "If, as Henry George says, 'there can be no just title to an exclusive possession of the soil,' does this apply as among cities, states and nations?"

What I meant to infer was: If Henry George and his followers assume that each individual in the world has an equal right to share in the world's economic rent, does this mean that a citizen of Mississippi ought to share in the economic rent of California, and each citizen of India share in the economic rent of the United States? In other words, is the city, the state, the nation, or the world the proper unit for the collection and distribution of economic rent?

But I guess we need not worry about that puzzle until we have made more progress in solving the problem at the municipal level.

Eighth Question: Mr. Huie's reply is very interesting, but it does not seem to answer definitely the question as to whether under some circumstances a tax levied on land values can be passed on by the present owner to the purchaser or tenant. That question I would answer in the affirmative. To the extent that the Sydney Harbor Bridge and other necessary public works increase land values, surely the additional taxes levied for such improvements can be passed on by a present owner to a purchaser who will benefit from the improvements. If that were not so, would not grave injustice be done?

—HAROLD S. BUTTENHEIM
