

Land-rent: the sole source of revenue?

A CAUTIONARY note against expecting too much from a land-rent policy has been issued by the Chairman of the Economic Committee of the Hungarian Parliament.

Mr. Marton Tardos was speaking at the Congress on Land Policy held in Moscow on May 21. His country has important historical evidence to contribute to the debate on fiscal reform, and Mr. Tardos is intimately familiar with that evidence: he is married to the niece of Dr. Julius Pikler who undertook the valuation of 35,000 sites in Budapest in preparation for the direct taxation of the rent of land in 1917.

Dr. Pikler's views on land taxation were expressed in an address to the Copenhagen conference of Georgists in 1926. He said: "I am able to concentrate my experience in land valuation into one single sentence, namely: that all that our great teacher Henry George has said about the practical working of a pure system of land value taxation, has not only - by the first slight trial - proved true, but has been confirmed beyond all expectation".

Dr. Pikler said that the valuation process required no exceptional ingenuity. "No more brain is necessary than every site-owner or real estate agent possesses. All that is required is a common and average amount of intelligence. And that this is the case, is one of the fundamental features and beauties of Georgism.

"The assessment of taxes in the Georgist system is no special science and no secret, it is not - as in the present social system - a mystery which only the priests and the high priests of taxation are able to probe, and which mystery the tax payers, the people assessed, are not able nor allowed to understand".

Dr. Pikler's address was reported in *Land and Liberty* (September 1926,

page 206). He said that the prediction by Henry George, the author of *Progress and Poverty* (1879), that the citizens would have faith both in the justice of the valuation and in the justice of this taxation system itself was also fulfilled. "Our citizens called this tax 'place money,' and expressed in this brief and true name the simplicity of the taxation system as well as its justice: equal value, equal tax."

The other virtues included:

- The simplicity and honesty of the valuation method excluded pressure either from the valuation officers or the citizens, who found themselves obliged to collaborate.
- Citizens ceased to be subject to bureaucracy.

Dr. Pikler concluded that "it has become clear already in this small beginning of a new system of taxation and society that it differs from the present system of taxation and society, not in degree, but in kind."

This new approach turned out to be a short lived experiment followed by the disruptions of a world war and the socialist experiment which has now been abandoned. Unfortunately, Hungary is not about to benefit from the wisdom of Dr. Pikler and his associates. His niece's husband, Marton Tardos, told the Moscow congress on May 21 that "under present conditions it is not enough to collect only rent as public revenue. And I want to emphasise that land is also a factor of production, a capital tool. Land rent can't be the only source of public revenue. If you have no private ownership of land, if there is nobody thinking about the optimal use of land, the re-structuring of land use, then our market will not work in a correct way.

"I do agree with the ideas that laws should put restrictions on the use of land. The owners should not be free to do what

they like. But private ownership should play its role. In the former socialist countries it was impossible to go ahead without privatisation. Speculation is the mechanism that helps the modern process of adaptation to the new market conditions".

Mr. Tardos also believed that there were taxes other than the one on land rent that did not have a negative impact on the economy. Nonetheless, he did concede that "the role of land rent is of prime importance". For example, he said, the rents from mineral resources generated income that enabled a government to reconstruct the economy.

MOSCOW

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compensation for those who lose from the implementation of public collection of rent.

- finance an academic programme, M.A. or PhD, to encourage scholarly work from a wider range of scholars on issues of concern to us.

PARTICIPATING in the discussions were:

- Ronald Banks**, chairman, Land Policy Council, London.
- Edward Dodson**, former president of the Henry George School of New York;
- Dr. Kris Feder**, Associate Professor of Economics, Bard College, New York;
- Fred Harrison**, Director, Land Policy Council, London;
- Dr. Michael Hudson**, former consultant to the Chase Manhattan Bank;
- Sir Kenneth Jupp MC**, former English High Court judge;
- Dr. Duncan Pickard**, former Leeds University lecturer;
- Dr. Nicolaus Tideman**, Professor of Economics, Virginia Polytechnic Institute & State University, Virginia.