

WHY

LAND VALUE

TAXATION?



PRESENT TAXATION

FROM the outset the very word "taxation" is likely to arouse prejudice. Who has a good word to say for taxation anyway? The best that has ever been said about it is that it is a necessary evil. At one time the problem of taxation was a fairly simple one. It was largely, if not entirely, a matter of raising revenue to pay for essential government services. Today, however, taxation is not a mere matter of finance—it is a political instrument. It is the means whereby Governments implement their economic policy and effect a redistribution of wealth, in the name of "fair shares," "equality" or whatever other term suits the political climate of the time.

The Welfare State, which makes up a large part of a debit side of the taxation ledger, is principally a large-scale process of taking money from one pocket and putting it back into the other — less costs of administration. In the process, opportunity is taken to do some levelling according to the "ability to pay" principle. That, then, is the picture, and if we don't like it we have at least been conditioned to accept it.

Now what is land-value taxation? Is it another turn of the taxation screw? Another burden to be heaped on the back of the long-suffering taxpayer? Perhaps it is a tax aimed at a particular class or section of the community? If so, why pick on the landowner? What's special about a land-value tax anyway?

THE UNIQUE TAX

Let it be stated at once that a tax on the *value* of land is a unique tax and "unique," says the dictionary, is "without a like or an equal in kind or quality." That aptly describes the land-value tax. One thing should be made plain from the start. Land, which in the economic sense means *all* natural resources, is *essentially* different from the things man produces by his labour. It is upon this vital distinction that the case for land-value taxation rests.

Land values arise from the land's natural fertility or geological content or from its particular geographical situation. The latter aspect of land value is perhaps the most important. The site of the recently demolished St. Peter's Church, Great Windmill Street, London, was sold

for £150,000 — a rate of more than £1 million per acre. Housing sites in Bethnal Green have cost up to £36,000 per acre and land in Oxford Street has been estimated at more than £1½ million per acre.

If we put a tax on the value of land, we are not taking anything away from the owner that *he himself has been responsible for creating*. Here is the first unique feature of the land-value tax. It is in no way a penal tax. It does not act as a disincentive as does taxation which falls on production or earnings. In fact, it is not a tax at all! Rather is it a payment by the user of land for the natural opportunities of climate, fertility or position that he exclusively enjoys. The measure of these natural advantages, economists call Rent (not to be confused with other kinds of rent).

TAXATION — PENALTY OR INCENTIVE?

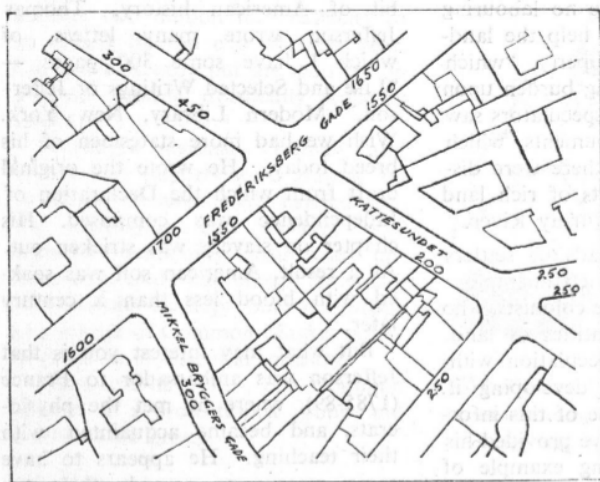
Taxation which falls on production, on sales and on incomes operates as though it were a fine. At every move the producer or wage-earner makes to increase his income, the State stands by to take its cut. Indeed, present-day taxation is more than a penalty on production, it is a constant threat which deters and retards the enterprise and initiative of those who would add to their own and the nation's prosperity. The result is frustration, apathy and evasion. One has only to observe the multitude of income-tax-dodging schemes and the customs officials, who are kept busy night and day, to see the demoralising effect of our existing taxation system.

Now contrast these taxes upon labour, capital and enterprise with the tax on land values. Land cannot be hidden, altered or taken away; it is there for all to see. Far from discouraging production it actually *encourages* it. What is the attitude of a man confronted with a land-value tax? For him the tax must be paid no matter what use he makes of the land. If he is lazy he must pay his tax just the same, for it is his own responsibility if he does not avail himself of the full advantages of the site he chooses to occupy. If he is industrious and thrives, he is taxed no more because of this. All his earnings over and above his land-value tax are his and he has a direct incentive to produce all he can. As a member of the

community he would share in the advantages of increased land values which steadily advance with the progress of the community and with increased population, and which now go into the pockets of speculators—many of whom never set eyes on the land they hold.

JUST AND PRACTICAL REMEDY

It is fair then; it is economically desirable. The next question that arises is, "Is it practicable?" One need hardly argue the point. Today in Denmark, Australia and New Zealand, to name only a few countries, the principle is in practical operation and the beneficial economic effects are there for all to observe. True, the principle of land-value taxation is not fully applied; that is to say, the users of land do not pay over the whole of the land value they enjoy in the form of a tax; but none the less a start has been made, for in the countries mentioned the system of levying local taxes upon the site value of land, instead of upon property as a whole, is now well established.



Section of Copenhagen land-value map

Though the case is but briefly stated here, the ordinary taxpayer will see the logic and justice of the broad principles. He should not be deterred by prejudice or by the "newness" of the idea from investigating more fully the abundant evidence that is available. He will see around him the amazing way in which land values have increased over the years without a penny-piece going into the pockets of the community who, by their very activities, presence and needs, have been directly responsible for these increases in land values. He will see in the instrument of land-value taxation not only a means of remedying this particular injustice but the possibility of sweeping away many of our crippling, crime-creating and stupid taxation laws.

VICTORIES FOR LAND-VALUE RATING IN NEW ZEALAND

(From the 17th annual report of the New Zealand League for the Taxation of Land Values Inc., held on September 12, 1961)

RESULT OF POLLS HELD IN 1961:

A. To Rescind Rating on Unimproved Value

Borough of Kaitangata

For Unimproved Value	-	-	201
Against Unimproved Value	-	-	146

B. To Adopt Rating on the Unimproved Value

Rotorua County

For Unimproved Value	-	-	1,885
Against Unimproved Value	-	-	236

Pohangina County

For Unimproved Value	-	-	380
Against Unimproved Value	-	-	238

Wairoa County

For Unimproved Value	-	-	1,093
Against Unimproved Value	-	-	313

Ashurst County Town

For Unimproved Value	-	-	180
Against Unimproved Value	-	-	84

Out of 77 counties in the North Island only 10 now remain on capital-value rating (land plus buildings).

This was not a local body election year and in consequence the number of polls was less than reported last year. The last successful polls represented about the yearly average of extension of this rating system over the past sixteen years.

Mr. Rolland O'Regan, president, was invited to give an address on "Rating on the Unimproved Value" to the Institute of Town Clerks, when it held a training course for junior officers at Victoria University, Wellington. The conference addresses will be printed in book form and should enjoy a wide circulation in municipal circles.

During the year a conference was held with the mayor and municipal officers of Auckland City and a meeting organised at which prominent and influential citizens were addressed by the president.

Evidence prepared by the league and submitted to the Parliamentary Bills Committee last year has been circularised to town and county clerks.