

THE INCIDENCE OF A LAND-VALUE TAX

(To the Editor of LAND VALUES)

SIR,—I have sometimes thought that we single-taxers are not as careful in our reasoning as we might be. Take, as an instance, on page 171 of the December issue. "Rightly interpreted, this is a condemnation of the present rating system which taxes the improvements on land, which is in effect a tax on the produce which is raised by the utilisation of those improvements. . . . Such a tax (on land values) would be paid by the land itself—or, rather, by the landlord himself—and would not be a burden on the utilisation of land or a tax on its produce."

Here we have a clear statement that a tax upon improvements is a tax upon produce, or in other words that the tax is paid for in the price of the products. On the other hand, the land values tax does not affect produce in any way; the landlord would pay it, and no more need be said, which is the meaning of the article.

May I test the matter by asking the writer who would pay the land values tax if we had never been blessed with a race of landlords to pay it for us, if from time immemorial the single tax had been the law of the country? Obviously, as there would then be no landlords, they could not pay the tax, yet the tax would be paid by somebody, presumably the farmer himself. The statement that landlords would pay the single tax if it were now adopted is only correct in a very partial sense. Perhaps the reader will best understand what is meant if we assume that private property in land, as at present, had existed from the beginning, and along with it the single tax also from the beginning. No landlords existed—the very word was unknown—but we should then have had a race of what I will call land-stewards instead; these stewards "owned" the land. It is clear they would not "pay" the single tax in any real sense; they would collect the rents of their farms, &c., and a portion of these rents they would pay to the single tax collectors. The stewards would in fact be agents for the collection of the tax, but the farmers would be the real tax-payers.

If we now assume that at the present time the single tax becomes the law of the land, either suddenly at one stroke, or spread over a term of years, then I think it is better to say exactly what we mean; we should not continue to say the landlord pays the tax, but rather that the single tax will really abolish the landlord in the sense that the State has "taken over" or "conveyed" or "confiscated" to itself the annual land value.

Although we speak of the single-tax, it is really no tax whatever; it is, if we were to speak with complete truth, a State rent. The farmer under the single-tax who pays that tax does in reality only pay part of his rent (the land value) to the State through the agency of the land-steward, commonly called his landlord; and another part of his "rent" to the landlord for the use of the buildings, &c., upon the farm; this latter payment is the only part kept by the landlord.

In short, the English farmer pays the single tax to-day to his landlord, our foolish English law allowing the landlord to retain it as his own. Therefore this payment by the farmer of the single tax, as also his payment of "rent" for buildings, forms part of the many expenses of the farmer, and is repaid to him in the price of his crops, precisely as his other expenses are repaid. Thus "rent" forms part of the cost of produce in this sense at least that the farmer does not really pay it out of his own pocket, the real payers of the farmers' rent are the buyers of his produce, and in the last analysis the consumers of bread pay the rents of the farmer, corn merchant, and baker. We ought, therefore, to look upon the single tax as paid by the consumers of goods and produce; and this view enables us to defend the single tax as based upon absolute justice, in that a rich

man spending, say, £1,000 per annum would pay twenty times more single tax than a poor man only spending £50 per annum. The only case where we can truly say we should pay our single tax directly is in the "rent" of the house we live in; we consume this rent ourselves as we consume a loaf of bread. A farmer, therefore, would not really pay any single tax on his farm land, because he would get the tax back in the price of his crops, but he would really pay the single tax directly for the house he lived in, and indirectly in the cost of the goods he consumed in his house.

To those interested in this subject I would recommend the perusal of Mills' chapter on rent as a factor in the cost of factory produce (PRINCIPLES OF POLITICAL ECONOMY), also Professor Wicksteed's pamphlet on "Marginal Production," together with Harold Storey's recent book on the economics of land values. Also may I ask the indulgence of the angry single taxers who think they settle everything by an assertion that the landlords would pay the single tax and no more need be said. It is well to hasten slowly—the incidence of taxation is not the easiest thing in the world to settle.

I am, &c.,
J. K. MUSGRAVE.

[The difference between Mr. Musgrave and ourselves is mainly on a matter of terminology. His argument briefly is that when the taxation of land values has been carried to the extent of taking all land rent there will then be no landowners as we now know them, that the tax will be paid in the first instance by the persons who possess or use the land, but that they are only enabled to pay the tax from the surplus (or rent) received from disposing of the produce of the land and that consequently it is the consumers of that produce who really pay the tax. To argue in this fashion really upsets the validity of any attempt to discuss the incidence of taxation. A tax is paid (is incident upon) that person who would obtain an advantage by its removal, other things remaining the same. Or conversely, a new tax is incident upon those persons who ultimately are rendered poorer by its imposition. Now a tax on land values does not increase the price of goods and cannot in any way be said to be incident on consumers.

Our terminology depends on the fact that taxes on commodities increase their price, while taxes on land values neither increase the rent of land nor the cost of its produce. In the one case we say the tax is shifted, in the other not; and we mark the distinction by saying that the land-value tax is paid by the landowner, other taxes by consumers. This terminology is useful because it marks a real distinction; Mr. Musgrave's is not.

In his second last paragraph Mr. Musgrave proceeds to argue that a "man spending £1,000 per annum will pay twenty times more single tax than a poor man only spending £50 per annum." This is not true, and is not even a logical deduction from Mr. Musgrave's own method of definition. For if it were possible for the rich man to buy only the produce of marginal land (i.e., land where no rent is paid) and the poor man the produce of other than marginal land (i.e., land where rent is paid), then it would follow in strict conformity with Mr. Musgrave's terminology that the rich man would pay no single tax, while the poor man might pay a considerable amount of single tax. It is always undesirable to introduce new terminology unless the old is defective, and in this case it is not only undesirable, but positively vicious.—Ed. LAND VALUES.]

Social reform is not to be secured by noise and shouting; by complaints and denunciation; by the formation of parties, or the making of revolutions; but by the awakening of thought and the progress of ideas. Until there be correct thought there cannot be correct action; and when there is correct thought, right action will follow. Power is always in the hands of the masses of men. What oppresses the masses is their own ignorance, their own short-sighted selfishness.—HENRY GEORGE.