

Social Values Repayment

Sir, Kenneth Jupp is right to complain (*L&L*, Winter 2000) that supporters of Henry George are not helped by having to argue for a new form of taxation – at a time when taxes are unpopular, political spin will not be enough. Calling George's levy "the Smart Tax" is an improvement but does not counter the current intuition that the smart thing is not to pay tax at all.

It is surely time to question whether what George proposes is really a tax, as such. Certainly it does not fall into the same category as taxes on earned income or taxes on invested savings where money is deemed to be a store of past labour. It is time, perhaps, to revive the old phrase

"unearned increment" to encourage a new popular understanding of the concept of unearned wealth.

I would propose that it is seriously misleading to use the term "taxation" in cases where the community is trying to reclaim the values created by improvements to the infrastructure or simply increasing the money supply. The term "Social Values Repayment" comes closer to the nature of the arrangement; is extensible to cover other justifiable government levies and makes clear that it is not a claim on wealth that has been individually earned.

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No need for flagellation

Sir, I refer to the discussion about the "two-rate" tax system (*L&L*, Autumn 2000). In Australia, we have had an analogous situation with site value rating.

In the state of Victoria during the 20th century, many municipalities adopted site value rating as a result of ratepayer-initiated polls. (The right of obtaining such polls has recently been removed.)

While enthusiastic activity for site value rating often emerged at the local level, in only a few cases did this translate to commitment to the fuller application of the Georgist message. Furthermore, the Land Values Research Group, under the leadership of A. R. Hutchinson, published numerous Australian studies from 1946 to c. 1998, which vindicated the socio-economic benefits of site value rating.

Indeed, when I sent the first draft of my chapter on Australia for the revised *Land Value Taxation Around the World*, the American editor, Dr Robert Andelson, chided me for not citing more Australian

evidence; he considered that Australia provided the best available empirical evidence for land value rating.

No doubt it is better to collect whatever economic rent we can, rather than none at all. And, although site value rating has been whittled down in various ways in Australia in recent years, the empirical evidence remains as a permanent record.

But any local application of land value rating should be accompanied as much as possible by a full exposition of the whole Georgist message. This has been attempted in Australia, but perhaps not sufficiently.

In any case, we should not be flagellating ourselves too much about the non-acceptance of the Georgist message. Our methodology may well have had defects, but our opponents are active and efficient – let us not underestimate this.

Geoff Forster
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Victoria
Australia

Bias against Taxation

Sir, In the Autumn edition of *Land & Liberty*, page 10, you quoted a research in which 21% of respondents agreed strongly and 39% agreed slightly that "... a land value tax would be passed on by landowners to occupiers so that businesses might go elsewhere".

This response was surely to be expected since a question that mentions TAXATION of land value will lead to an assumption of increased land price or rent since all taxation, from experience, leads to increased cost.

The question should have been: "If a site's surplus value over marginal land was taken for the community in the form of annual rent revenue, would the owner be able to recoup by increasing land price or rent?"

Put this way, the question would make many more people realise that the landowner would lose all his/her tenants or clients if he passed on the rent revenue charge since they would be as well off on marginal land. Hence, the landowner could not pass on the rent.

With this revised form of the question far fewer people would believe that landowners can pass on site rental revenue.

It is, of course, our obdurate insistence on using the phrase "Land Value Taxation" that turns people away from our reform. A phrase such as: "Community created Rental Revenue" would be far more likely to attract people.

C. H. Stowasser
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Queensland, Australia

Railways: the full potential

Sir, On receiving from Bernard Jenkin MP (Conservative Shadow Transport Minister), *Believing in Britain's Railways – The Conservative Agenda for Restoring Britain's Passenger Rail System*, I replied to him:

I'm not clear as to the extent a Conservative government would channel public funds into the rail network and the criteria it would use. When assessing the viability and desirability of a public transport project, one needs to take into account its full potential public benefit and not just base one's assessment on what may be recoverable from fares and freight charges.

The Docklands Light Railway is

reported to be receiving £30m a year in subsidy, yet few would dispute its net benefit to the economy and to the Treasury by way of increased tax revenue.

The viability of the Canadian Pacific Railway in the late 19th century depended on its ability to recover, through grants of line-side property, some of the economic benefits the railway conferred on the areas it opened up for development. When in Vancouver some years ago I was told that the railway still owned much downtown property.

Similarly with Direct Link North and other major public transport proposals, one needs to assess their potential net benefit to the

nation and not just what might be recoverable from fares and freight charges. How much would Treasury revenue increase and dependence on handouts decrease as a consequence of their construction?

In formulating policy to avoid wasting money on lame ducks, the Conservative Party should recognise that good cases would arise which merited investing public funds in projects whose full benefit could not be recoverable directly through charging users.

Direct link North is a proposal for a high speed railway developed by a fellow School of Economic Science student, Keith Gerry. Crossing the Thames by

tunnel it would link the Channel Tunnel with the regions in the Midlands and North of England, South Wales and the Scottish Lowlands. Financial prospects for construction to the English regions are considered favourable if development gains at its planned 25 regional railports, with commercial developments similar to those at airports, accrued to the railway. Extensions into South Wales and the Scottish Lowlands would probably need support from public funds.

For information about various property taxes in and around Vancouver and much hospitality I was indebted to Gunnar Jeberg and other Vancouver Georgists. John Pincham Surrey, UK