

### CAN A TAX ON LAND VALUES BE SHIFTED?

One occasionally comes across the assertion that if the landlord is taxed on the value of his land he will add the amount to the rent he is receiving.

That there are some good people who believe this, and some others—not so good—who pretend to believe it, there can be no manner of doubt.

One way of answering this assertion is to say that all authorities are against this view, but it is not a very satisfactory way.

Except the authorities have reason on their side, the sooner their authority is ignored the better.

A good beginning may be made in our inquiry by suggesting that the landlord wants money for other things besides paying taxes.

If he can increase his rents to pay his taxes, why does he not do the same thing when he is in other kinds of financial straits.

Landlords sometimes become bankrupt, and they have been known to mortgage their possessions to get ready cash. Why do they not, in such cases, resort to the simple expedient of increasing the rents of their tenants? Surely, for the very plain and sufficient reason that they cannot do any such thing.

How then are they to be enabled to add to their rents when land values are taxed? Will the supply of land be diminished, or the demand for land increased, by the application of such a tax?

Manifestly not! Land is fixed in quantity. It can neither be brought into existence nor put out of existence by any human act. In this respect it differs from everything to which taxes are now applied. If we put a tax on tea, a tea-merchant might conceivably have to pay the tax on whatever stock he held. He would be careful, however, not to renew his stock until he had a guarantee that the people who were going to use the tea were prepared to pay the tax. Thus the production of tea would be stopped until a price could be realised for it that would cover all the costs, the tax included.

The same is true of a tax on buildings, or any other product of human labour. The tax will either keep them out of existence, or force those who desire to have them brought into existence to pay the tax. Taxes on commodities are simply an additional cost of production, and such things as houses cannot be produced without taking this cost of taxation into consideration along with the other costs.

If land had any cost of production, if its amount was variable like that of commodities, if it could be kept out or brought into existence, there would be a good reason for thinking that a tax on land could be shifted.

Being different in all these respects from commodities, it is reasonable to suppose that a tax on the value of land will have a different effect to that of a tax on commodities.

The man who is going to build a house, a factory, or warehouse, has to take into account all the costs. He has to calculate whether he is likely to receive a return on his investment equal to what he would get in any other concern. If he finds he can get this amount he proceeds to build, but as he is not in business for his health, he does not go into a speculation to pay taxes for anybody else. If a man builds a house for his own use he has to calculate how much he can afford to pay in taxes before he can determine the size or kind of house he will build. This is, of course, because the tax will vary with the size and quality of the house.

Sometimes we are told that land is taxed already in the composite value of the house and the site on which it stands. This is not, however, the taxation of land values. It is true the value of land is taken into account, but the tax comes into existence with the building.

If the building should by some accident go out of existence, the tax would go with it. But the land value would remain, and—under the present system of taxation—it would remain untaxed until another building had been reared on the site.

That kind of tax can, of course, be shifted. It is no burden on the landowner. It is a prospective burden to be calculated on by the land user.

The taxation of land values would act the other way round. Being retrospective, it would be applied whether the land were put to use or held idle. The man who was going to build would not bring any tax into existence. The burden would be on the landholder, and if he wished to get rid of this burden of taxation, he would be compelled to make more reasonable demands than he now makes.

Acting on the natural impulse to protect himself against loss, he would be compelled to let go his grip of the land. He is not compelled to do this now, as it costs him nothing to keep it idle, but under the taxation of land values it would cost him something. He would thus be induced to go into competition to secure tenants. This competition would not enable him to get more rent, but would force him to accept less.

Those who speak of shifting a land value tax either forget, or they have never known, that rent measures the advantages of one piece of land over another. A piece of land may be so worthless on account of its situation or its fertility that no one would be willing to give anything for its use. It might be of no use for growing crops or for building a house, a factory, or a warehouse on it. Against this piece of land may be placed other pieces for which some one would be willing to pay a price.

Over all these pieces the price would vary with the advantages. But these advantages will not be increased by the application of a tax on land values. Any attempt to add the amount of the tax to the amount of the rent would simply reduce the lower qualities of rent-paying land to the level of land for which no one was willing to pay anything, and on the higher qualities of land the advantages would be diminished in proportion.

To sum up, then, the landlord takes all he can get now, and he would take more if he could.

Land cannot be put out of existence, and a tax on land values will not lessen the supply of land.

On the other hand, the available supply of land can be increased, because land is now held out of use which might be used.

An increase in the supply of anything will lessen its price, thus the increase of available land would lower and not increase the value of land.

Land is not produced, and is therefore not affected in the same way as products of labour are by taxation. In the case of products of labour their supply is decreased by taxation.

Land being taxed whether put to use or not, the tax would be on the holder not the user of land.

At present there is no tax on the holders—no tax on the idlers. The tax is on the users and the industrious.

The Taxation of Land Values is intended to reverse all this.

WILLIAM REID.

"If buildings were relieved of all rates and the earning power of labourers increased . . . the rural housing problem, as acute in some of its aspects as the corresponding difficulty in towns, would tend to solve itself more thoroughly than is possible by systems of compulsory purchase and building by local authorities. The Taxation of Land Values, which goes to the root of the present evils, would be far more effective in this respect, as in all others, than any special remedy designed to meet any particular symptom of the disease."—From *Rating Reform in Rural Districts*.