

Some More on R. and T.

By DAVID RICHARDS (Glamorgan, Wales)

I was wrong in my advice to George Morton (GJ No. 64) "to point out that a switch to land value taxation would negate the depressing effect on land rent of current taxes without negating the uplifting effect of spending." Carried away by the truth that a land value tax is not technically a "tax" at all, I overlooked the fact that it nevertheless depresses market land rents in the same way as taxes do - by reducing the effective demand for land of the bearer of the levy.

In this mistake I was in the company of all Georgists who hold to the All-Tax-Comes-Out-of-Rent hypothesis, and I am indebted to Karsten Larsen for lifting the scales from my eyes during the Philadelphia Conference. The fact that land, labour and capital in the public sector receive their rent, wages and interest through the medium of taxation (politically organized "markets") rather than through direct market prices should not be allowed to obscure the fact that the public sector contributes to production. By providing law and order, infrastructure, etc., the public sector increases the productivity of the private sector. Taxes levied on private labour's gross wages, therefore, are attempts to distribute public labour's wages. Such taxes cannot be said to be paid out of rent - that part of production which is due to land.

In this light, David Redfearn's quotation from John Locke in GJ No. 62 can be seen to apply only to taxes levied for the sake of government activities which are not productive. Wages and interest are already at a culturally determined irreducible minimum, so the surplus accruing to land must bear the burden of such parasitism. Henry George's treatment of greater economy in government in Book VI, Chapter I of Progress and Poverty, clearly refers to such a situation.