

On Doing the Right Thing

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The mathematical real estate IRV formula which is used by landed interests to advance their financial position can be used by Georgists to strengthen our moral position. $I/R=V$. Income divided by rate equals value. Then $\$100/10\%=\1000 .

In the business world income includes all three factors in wealth production - rent, wages and interest. If we let I, income, equal only economic land rent, we can still arrive at a viable current land sale price. We Georgists are not all that interested in the value of the improvements as far as a tax illustration is concerned. So let's consider income to represent money only from the land. In this example a parcel renting for \$100 per year when interest is 10% will probably sell for \$1000.

The primary concept in appraisal is that any land which has value has first of all a yearly rental value. Many businesses are not interested in buying land and buildings because real estate is not sufficiently liquid. We Georgists talk about land value taxation, but we should think first in terms of the public collection of the rent of land, and not about a percentage or rate on land selling price. In the above math example let's try to get our assessor to tax the rent of land or the \$100 rather than try to impose a percentage rate on the \$1000 value.

In most communities, some of the rent is being collected via the property tax. So we have the equation: $I - \text{Tax}/R=V$; or, $\$100 - \$10/10\%=\$900$. Taxing rent thus reduces value (sale price).

There is little or nothing an individual owner can do to make rent. The income from land (rent) is attributable to publicly financed roads, schools, hospitals and privately financed railroads, airports, factories, office buildings, as well as natural geographical site advantages, bays, rivers, flat land, minerals

and forests. It is the total community which gives value to land by offering to pay rent for its use. No individual owner deserves to collect the rent of land all for himself. The full taxation of rent would give the rent to the surrounding community which made it valuable in the first place.

If rent is not attributable to any individual's effort no individual should collect rent - so we now should have the following equation:

$$\frac{\$100 \text{ (Rental Income)} - \$100 \text{ (Tax)}}{10\% \text{ (Interest Rate)}} = 0 \text{ (value)}$$

The full taxation of rent would result in a value of zero. College economics 101 teaches us that when the price declines, the maximum number of units can be sold. Therefore when the selling price of land is zero, any one will be able to afford land.

God did not designate brokers to sell land to the inhabitants of the world. Land was made for all of us without the need to buy from an agent.

Let's think in terms of taxing the I because it is ethical - then there won't be any V.

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