


## The Natural Law That Governs Prices


By HENRY GEORGE

Here . . . is a piece of land that has a value—let it be where it may. Its rent or value, is the highest price that anyone will give for it—it is a **BONUS** which the man who wants to use the land must pay to the man who owns the land **FOR PERMISSION** to use it. Now, if a tax be levied on that rent or value, this in no wise adds to the willingness of anyone to pay more for the land than before; nor does it in any way add to the ability of the owner to demand more. To suppose, in fact, that such a tax could be thrown by land owners upon tenants, is to suppose that the owners of land do not now get for their land all it will bring; is to suppose that, simply whenever they want to, they can put up prices as they please.

This is, of course, absurd. There would be no limit whatever to prices, did the fixing of them rest entirely with the seller. To the price which will be given and received for anything, two wants or wills must concur—the want or will of the buyer, and the want or will of the seller. The one wants to give as little as he can, the other to get as much as he can, and the point at which the exchange will take place is the point where these two desires come to a balance or effect a compromise. In other words,

 **PRICE IS DETERMINED BY THE EQUATION OF SUPPLY AND DEMAND.**

And, evidently, taxation cannot affect price unless it affects the relative power of one or the other of the elements of this equation. The mere wish of the seller to get more, the mere desire of the buyer to pay less, can neither raise nor lower prices.

 **Nothing will raise prices unless it either decreases supply or increases demand. Nothing will lower prices unless it either increases supply or decreases demand.**

Now, the taxation of land-values, (i.e. rent, actual and potential) which is simply the taking by the state of a part of the premium which the land owner can get for the permission to use land, neither increases the demand for land nor decreases the supply

of land, and therefore cannot increase the price that the land owner can get from the user. Thus it is impossible for land owners<sup>②</sup> to throw such taxation on land users by raising rents. Other things being unaltered, rents would be no higher than before, while the selling price of land, which is determined by *net rent*, would be much diminished.<sup>③</sup> Whoever purchased land outright would have to pay less to the seller, because he would thereafter be called on to pay more to the state.

A very common objection to the proposition to concentrate all taxes on land-values is that the land owner would add the increased tax on the value of his land to the rent that must be paid by his tenants. It is this notion that increased taxation of land-values would fall upon the *users*, not upon the *owners* of land, that more perhaps than anything else prevents men from seeing the far-reaching and beneficent effect of doing away with the taxes that now fall upon labor or the products of labor and taking for public use those values (i.e. rent) that attach to land by reason of the growth and progress of society.

That taxes levied upon land-values, or, to use the politico-economic term, taxes upon *rent*, do not fall upon the user of land, and cannot be transferred by the landlord to the tenant, is conceded by all economists of reputation. . . . They all admit that the taxation of rent merely diminishes the profits of the land owner, cannot be shifted onto the user of land, and cannot add to prices, or check production. It will be sufficient to quote John Stuart Mill: *Principles of Political Economy*, book 5, chapter 3, sect. 2.

A tax on rent falls wholly on the landlord. There are no means by which he can shift the burden upon anyone else. It does not affect the value or price of agricultural produce, for this is determined by the cost of production in the most unfavorable circumstances, and in those circumstances, as we have so often demonstrated, no rent is paid. A tax on rent, therefore, has no effect other than its obvious one. It merely takes so much from the landlord and transfers it to the state.

"Taxing Land Values" (6 newspaper cols., -90,000 wds.) in the *Standard*, Sept. 10, 1887; reprinted as an 8 page tract, (6x9 in.) in *Land and Labor Library*, Aug. 31. (1) See *Progress and Poverty*, Bk. 3, ch. 2, par. 3. (2) Land here means all natural resources, mines, etc., etc. (3) The selling price of land would disappear under a 100 per cent tax on rent.

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