

LAND

SPECIAL SURVEY

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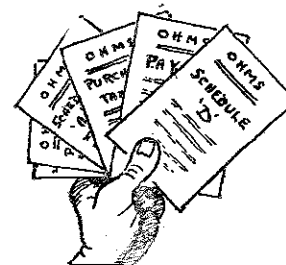
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WHY



LAND VALUE

TAXATION?

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UNITED COMMITTEE FOR THE TAXATION
OF LAND VALUES

177 Vauxhall Bridge Road, London, S.W.1.

What Others Have Said

THE growth of the city occasions unusual expenditures; the growth of the city also creates unusual values. Why should not the values which the city creates go to bear the expenses which the city occasions?—H. C. ADAMS, *"Science of Finance."*

THE real unearned income is that which accrues to an individual without his having done anything which contributes to production. Of the several types of such income the most important is that which issues from the site value of land. The recipient of such an income does nothing to earn it; he merely sits tight while the growth of the community about the land to which he holds title brings him an unmerited gain. This gain is at the expense of all true producers, whether they be labourers, enterprisers or investors in industrial equipment. The taxation of this gain can do nothing to deprive the community of any service since the donee is rendering none. The land will be there for the use of society whether the return from it is taxed or free. Society creates the value and should secure it by taxation.—FRANK D. GRAHAM, Professor of Economics, Princeton University.

THE right to use a piece of land gives command over a certain space — a certain part of the earth's surface. The area of the earth is fixed; the geometric relations in which any part of it stands to other parts are fixed. Man has no control over them; they are wholly unaffected by demand; they have no cost of production; there is no supply price at which they can be produced. The use of a certain area of the earth's surface is a primary condition of anything that man can do; it gives him room for his own actions, with the enjoyment of the heat and light, the air and the rain which nature assigns to that area; and it determines his distance from, and in a great measure his relations to other things and other persons.—ALFRED MARSHALL, *"Principles of Economics."*

PRESENT TAXATION

FROM the outset the very word "taxation" is likely to arouse prejudice. Who has a good word to say for taxation anyway? The best that has ever been said about it is that it is a necessary evil. At one time the problem of taxation was a fairly simple one. It was largely, if not entirely, a matter of raising revenue to pay for essential government services. Today, however, taxation is not a mere matter of finance—it is a political instrument. It is the means whereby Governments implement their economic policy and effect a redistribution of wealth, in the name of "fair shares," "equality" or whatever other term suits the political climate of the time.

The Welfare State, which makes up a large part of a debit side of the taxation ledger, is principally a large-scale process of taking money from one pocket and putting it back into the other — less costs of administration. In the process, opportunity is taken to do some levelling according to the "ability to pay" principle. That, then, is the picture, and if we don't like it we have at least been conditioned to accept it.

Now what is land-value taxation? Is it another turn of the taxation screw? Another burden to be heaped on the back of the long-suffering taxpayer? Perhaps it is a tax aimed at a particular class or section of the community? If so, why pick on the landowner? What's special about a land-value tax anyway?

THE UNIQUE TAX

Let it be stated at once that a tax on the *value* of land is a unique tax and "unique," says the dictionary, is "without a like or an equal in kind or quality." That aptly describes the land-value tax. One thing should be made plain from the start. Land, which in the economic

sense means *all* natural resources, is *essentially* different from the things man produces by his labour. It is upon this vital distinction that the case for land-value taxation rests.

Land values arise from the land's natural fertility or geological content or from its particular geographical situation. The latter aspect of land value is perhaps the most important. The site of the recently demolished St. Peter's Church, Great Windmill Street, London, was sold for £150,000 — a rate of more than £1 million per acre. Housing sites in Bethnal Green have cost up to £36,000 per acre and land in Oxford Street has been estimated at more than £1½ million per acre.

If we put a tax on the value of land, we are not taking anything away from the owner that *he himself has been responsible for creating*. Here is the first unique feature of the land-value tax. It is in no way a penal tax. It does not act as a disincentive as does taxation which falls on production or earnings. In fact, it is not a tax at all! Rather is it a payment by the user of land for the natural opportunities of climate, fertility or position that he exclusively enjoys. The measure of these natural advantages, economists call Rent (not to be confused with other kinds of rent).

TAXATION — PENALTY OR INCENTIVE?

Taxation which falls on production, on sales and on incomes operates as though it were a fine. At every move the producer or wage-earner makes to increase his income, the State stands by to take its cut. Indeed, present-day taxation is more than a penalty on production, it is a constant threat which deters and retards the enterprise and initiative of those who would add to their own and the nation's prosperity. The result is frustration, apathy and evasion. One has only to observe the multitude of income-tax-dodging schemes and the customs officials, who are kept busy night and day, to see the demoralising effect of our existing taxation system.

Now contrast these taxes upon labour, capital and enterprise with the tax on land values. Land cannot be

hidden, altered or taken away; it is there for all to see. Far from discouraging production it actually *encourages* it. What is the attitude of a man confronted with a land-value tax? For him the tax must be paid no matter what use he makes of the land. If he is lazy he must pay his tax just the same, for it is his own responsibility if he does not avail himself of the full advantages of the site he chooses to occupy. If he is industrious and thrives, he is taxed no more because of this. All his earnings over and above his land-value tax are his and he has a direct incentive to produce all he can. As a member of the community he would share in the advantages of increased land values which steadily advance with the progress of the community and with increased population, and which now go into the pockets of speculators—many of whom never set eyes on the land they hold.

JUST AND PRACTICAL REMEDY

It is fair then; it is economically desirable. The next question that arises is, "Is it practicable?" One need hardly argue the point. Today in Denmark, Australia and New Zealand, to name only a few countries, the principle is in practical operation and the beneficial economic effects are there for all to observe. True, the principle of land-value taxation is not fully applied; that is to say, the users of land do not pay over the whole of the land value they enjoy in the form of a tax; but none the less a start has been made, for in the countries mentioned the system of levying local taxes upon the site value of land, instead of upon property as a whole, is now well established.

Though the case is but briefly stated here, the ordinary taxpayer will see the logic and justice of the broad principles. He should not be deterred by prejudice or by the "newness" of the idea from investigating more fully the abundant evidence that is available. He will see around him the amazing way in which land values have increased over the years without a penny-piece going into the pockets of the community who, by their very activities, presence and needs, have been directly responsible for these increases in land values. He will see in the instru-

Land-Value Rating

In view of the wide and increasing interest now being taken in problems of local government finance and land use, this book is particularly timely. It explains the deficiencies and ill effects of the existing system of local rating. A careful examination is made of such proposed remedies as local income tax, extension of government grants, and equalisation of rates, and the reasons are stated why these are inadequate. The remedy advocated is the rating of land values and the exemption of buildings and improvements, and the economic and social effects of this proposal are fully considered.

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What Others Have Said

EVERY permanent improvement of the soil, every railway and road, every bettering of the general condition of society, every facility given for production, every stimulus supplied to consumption, raises rent. The landowner sleeps but thrives. He alone, among the recipients in the distribution of products, owes everything to the labour of others, contributes nothing of his own. He inherits part of the fruits of present industry, and has appropriated the lion's share of accumulated intelligence. — THOROLD ROGERS, *"Manual of Political Economy."*

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Land & Liberty

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