

P. R. Williams

WHY SHOULD WE PURSUE AN ENDLESS TAX DEBATE?

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For a half century or more there has been a continuing debate related to the basic question of tax shiftability. Though a large majority of economic scholars, both Georgist and non-Georgist, agree that a land value tax cannot be shifted, there are still persistent dissenters who dispute this thesis. And even among those who profess to believe in non-shiftability there seem to be many who lack conviction or inclined to be indifferent.

So the question now arises, should we suspend the debate or is it profitable to pursue it further until the truth of the matter may be finally established? Why should we seek unanimous agreement on the science of taxation so long as the dissenters also profess to advocate concentrating taxation on land values?

The unresolved question (if it still is debatable) is simply: what is the effect of taxing land values -- and what is the effect of taxing the products of labor such as buildings erected on land?

It seems to be difficult for the ordinary citizen or taxpayer to understand why a building tax can be shifted while the portion of the tax imposed on the value of the building site cannot be shifted. Confusion on this point is easy to understand, and difficult to dispel.

It might be assumed that practical experience with taxation now in effect would have long since provided a definitive answer to the question of shiftability. Perhaps it actually has. But it appears that in the absence of overwhelming evidence, pro or con, most economists rely on the processes of logical reasoning, and in this field economists have always differed, and even Georgists have differed.

Though some land taxers even question the effect of a land value tax, the chief source of disagreement is obviously over the effect of taxes imposed on products of labor such as a building that may be owned by a land owner.

On whom does the building tax fall? Does it fall on the owner or the user? Does it fall on the land owner or on the capitalist? Some dissenters contend that not only the land tax falls on the land owner, but also the building tax. This in effect is to say that there is no essential difference between the conventional real estate tax and the land tax based on the land value alone exclusive of any improvements.

Since there is still serious disagreement among experts, and there are still those who like to think that the land value tax can be shifted so as to create much higher land rents, why not just suspend debate, and let nature take its course? Is it material for what reason a tax program is pursued so long as economic errors do not result in desertions?

If debate proves non-productive, it might be wise or necessary to suspend it, and leave a conclusive answer to be provided by future experience while making a supreme effort to achieve a more adequate application of land value taxation. So long as most Georgists remain firm in the faith as to the efficacy of imposing higher taxes on land values, differences of opinion may well be tolerated.

But if there were widespread doubt as to whether the land value tax would be effective for the purpose intended by Henry George, it would be a matter of great importance to persist in the effort to resolve such doubt.

The chief argument advanced by dissenters is that at least in some instances the price of land has increased in certain areas after there has been a significant transfer of local taxes from improvements to land values. And it is implied that such increases in the price of land were actually caused by the adoption of land value taxation as a major source of public revenue, with a consequent untaxing of improvements.

On the other hand most land taxers contend that an opposite effect has actually resulted from concentrating taxes on land values rather than on improvements. They cite either an absolute reduction in land prices or a relative reduction in land prices when land value tax districts are compared with those taxing all real estate alike.

So the dissenters cannot rest their case on the evidence supplied by such actual experience as we have yet had. So it might be argued that it might be well to let the question rest until a more adequate experiment may be achieved.

The answer is that any hope of significant victories may depend upon the type of propaganda Georgists can develop. We cannot hope to enlist strong support unless we have something concrete to offer prospective supporters.

The Single Tax movement was launched to translate theory into action. It was designed to be evolutionary rather than revolutionary. That is why the Single Tax was invented by Henry George instead of proposing immediate abolition of private property in land.

Hence all practical political action programs are based on gradualism. This means that we cannot offer radical changes in the economic situation even if radical changes were needed. But we can offer land reform. We can attack the high price of land and promise that higher taxes on land will surely produce lower land prices. That this will be achieved by putting pressure on private land owners sufficiently to either eliminate or reduce speculative rent.

But if we fail to repudiate the theory that higher land taxes can be shifted to land users, we are deprived of the one issue that might have popular appeal. If we cannot promise lower land prices as a tangible reward to land users, what remains that we can offer? Why should anyone bother to try to change the tax system if we lack faith that our method of procedure is sound and effective?

The idea of a shiftable land tax might have some tendency to appease land owners but it would be hard to sell to anyone, even land monopolists and speculators because it would not be possible to produce a convincing argument to support it.

This is not to deny that the opposition of land owners is not a serious problem. Though it is by no means the most serious problem for Georgists. There are two ways to counter the opposition of present land owners. The best way perhaps is to appeal to their interests as good citizens and workers. Another is to compromise by continuing to pursue a gradual approach so that whatever confiscation is involved will be partial rather than total.

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