

Taxing Land Values

By HENRY GEORGE

The following extract from an article by Henry George appearing in his newspaper "The Standard" is perhaps the most important single short piece of literature ever written in Political Economy.

If a "single-tax" on ground rent (or land values) can be shifted then single taxers might better devote their time to some hobby like collecting antique furniture, etc. But if, as we contend, and here Henry George gives the reason, a tax on ground rent cannot be shifted by the land owner onto the user, and this tax cannot add to price, then we have one of the most important discoveries in nature that the mind of man has ever come upon. You can well afford to ponder long upon this article.

C. LeB. G.

For further information concerning Henry George's proposition write Henry George Foundation of America, 1306 Berger Bldg., Pittsburgh, Pa.

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"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 any one 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 any one 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, 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 can not increase the price that the land owner can get from the user. Thus it is impossible for land owners 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. 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 Land Owner Cannot Make a Tenant Pay Any Tax Levied On the Value of His Land

IN OTHER WORDS— A TAX ON GROUND RENT CANNOT BE SHIFTED

While all taxes on clothing, food, houses, etc., (produced by labor) are shifted onto the ultimate consumer.

"A tax on rent falls wholly on the landlord. There are no means by which he can shift the burden upon any one 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."

—John Stuart Mill, "Principles of Political Economy", book 5, chapter 3, section 2.