

**Q** What about ability to pay? I hear and understand the ethical and economic arguments but surely income tax is fairer all round?

**A** That's two questions, so two answers. As regards ability to pay, it must be remembered that the poor don't usually own land, they just usually pay rent [ so part of the rent they pay goes into the public coffers and allows the other taxes they pay to be reduced ].

It's the owner of the site who pays the tax. Where land is owner occupied or leased it is usual to find that the well off occupy expensive high value sites and the less well off usually occupy less valuable sites. "And the little old lady on low income in a three bedroom owner occupied"? If the little old lady could afford to live in a large house before the tax, she will probably be able to do so under LVT, anyway, it's in no ones interest for people to underuse land. We should use natural resources not abuse them. There will of course always be instances where an individual's need is greater than they are able to provide for, but those situations can be dealt with as they are now, by the appropriate government relief agency.

As regards to Income Tax being fairer, Marshall said "the power to tax is the power to destroy" and Income Tax, like most taxes, marginalises economic activity. It destroys jobs, makes the community poorer. The problem is that you can't see and count the jobs lost as a result of taxation, or the extra jobs that might exist if economic activity wasn't marginalised. You can only count the unemployed and jobless. On the face of it, income tax seems fair, those who can pay, do so, those who can't don't. The argument overlooks the damage done to marginal enterprise. Imagine a small marginal company. It pays the market rate of pay and all its other costs of production but only man-

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# Qs AND As LVT

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## JOHN JAMES replies to questions on the economics of land taxation

ages to break even.

A 10% rate of income tax is introduced. Some accept their lot, others look for higher paid work, some may join the black economy, some may ask for overtime or a pay rise. There will be some pressure to increase wages so that take home pay is restored. That means the company will need to increase turnover or risk failure. Not convinced? Imagine the reverse, a

marginal company under a 10% income tax regime, faces the abolition of income tax. What can happen?

One company might try and pay everyone their gross wage instead of the net wage. Another company might try and make more profit by paying the same net wages but keeping prices unchanged. Other enterprises will try and pay the same net wage and reduce product price thus undercutting those who do not. It's take home pay that counts. Reducing Income Tax can tend to the same take home pay but with lower product price. So Income Tax can tend towards higher prices.

**Q** Surely it's not fair to tax land and reduce its capital value, people have bought their plots in good faith, some may have mortgages or loans secured on its value. Shouldn't they be compensated for the drop in value?

**A** Not really. Of course, if a very high rate of tax were to be suddenly introduced, it could cause severe economic problems for some of those described.

Remember, a loan is usually raised on the combined value of the land and building so only part of the value would be affected. A gradual and phased introduction would help ease any problems.

Let's not forget that we don't compensate people for the income tax or the sales tax that they pay, if we did there would be little tax revenue raised.

There's also the point that as LVT is imposed and gradually increased that those other taxes which the land owner pays, such as income tax and sales tax can be reduced. Anyway, one could also ask who will recompense those who have been denied their birthright in land, that's partly what this tax is about.

In the end we'll all gain with LVT.

## PROGRESSIVE FORUM: an announcement

THE Henry George Foundation now has two web-sites. The one with the more obvious name is for people who know who Henry George was, a constituency of declining numbers. Others may stumble across it...

The second one is for all who seek a just society and find little comfort in other nostrums. We call it The Progressive Forum.

PF is not "just" a web-site. It is now the primary outreach tool of HGF, an initiative designed to engage with all who think, research, or write about the role of natural resources in human society - or who ought to!

PF was intended for British academics and professionals but has already attracted several overseas members. Yes, you too can join! For only £25 a year anyone can access the PF web-site, read about PF events and research ideas, purchase or attend seminars and conferences at reduced rates and help widen the debate on Progressive Tax and Resource policies. The subscription also includes a free *Land & Liberty*.

At events around Britain from April through June, PF is being launched with the support of other not-for-profit bodies, such as The Empty Homes Agency, Urban Mines

and the New Economics Foundation. Local authority chief executives, Members of Parliament, professors and heads of research and policy at prestigious institutions are joining.

Until the end of June, <www.progressiveforum.cjb.n et> will have an "open door" and existing subscribers to *Land & Liberty* can become Founder Members of PF for a one-off payment of £25 (US\$35). For details, visit the site or e-mail <progressiveforum@charity.vfree.com> or contact the publisher (address page 2).

The new research page will be expanded to become a

pull-out research supplement, produced by PF members for PF.

The first annual Progressive Forum Conference is to be held in Bournemouth, UK on 3 & 4 November 2000. The theme will be "Questions Around the Smart Tax" and a book of the same name will be launched, with support from the Lincoln Institute of Land Policy.

This announcement is a call for papers at the conference (deadline 15 July). E-mail Progressive Forum for more details.

"There is, in Nature, no reason for poverty."

TONY VICKERS