

The High Cost of Collections

by HARRY FREDERICK LEVETT

UNTIL all the land under one government is assessed on a uniform and up-to-date basis, it is impossible to tell whether the full collection of the annual ground rent (the full taxation of the full site-value) would be insufficient or not for government spending on the present scale. I hold therefore that Mr. Tideman's comments on this aspect are a wild shot in the dark.

Dealing with this same aspect from the point of view of the government, that is to say taking into consideration the actual amount of revenue needed to maintain government spending at its present level, I think I am safe in asserting that no government maintains an adequate system of cost accounting. It is obvious that the government system is divided into two main groups: the revenue collecting group and the spending group. The former group, for example, would contain the income tax department and the customs-excise department, while the latter would include the defense forces and social services (health, education, etc.). In normal bookkeeping, the gross revenue from any one department would have deducted from it the cost of collecting that revenue and only the net revenue would be taken into the final revenue and expenditure account; this practice is not followed by governments, who, as a general rule, show the gross revenue from each department on the revenue side and then 'lose' the cost of collecting that revenue in lump sums on the expenditure side.

This is, in my opinion, deliberately

Harry Frederick Levett of Transvaal, South Africa, one of our many overseas readers, took occasion on receipt of his December, 1957 HGN to reply to the article by Selim S. Tideman of Chicago, entitled "A Contemporary View," in which Mr. Tideman held that when we advocate a single tax on land values to the exclusion of all other taxes we advocate abolition of many government functions that cannot be supported by the limited amount of revenue this tax would provide.

done to conceal the fact that more than a few taxes do not in fact bring in any real revenue at all, as the amount collected is entirely spent on the cost of collection. I should explain that I am in this instance using the word "collection" in a very broad sense. I am including not only the actual processes of valuation, assessment and collection, but also such subsequent processes as prevention of fraud or deception by inspectors and the investigation by detectives of suspected deception by investigators, lawyers, etc. when accused persons are brought to trial.

As I do not have access to the complete accounting records of any government, and since, as I have already said, no government maintains a worth-while cost accounting system, it is of course impossible to state whether my opinion of this particular aspect of the subject is valid or not.

It is however obvious that any tax

involves some cost of collection, and if a government were to concentrate on a single tax (even if not THE single tax) there would be considerable saving on the expenditure side of the income and expenditure account. If we take as a wild guess, that of the total of any tax collected, 25 percent is spent in collecting it, then we can reduce the total budget of any government by 25 percent of the totals of all its tax-collecting departments while still maintaining the expenditure departments at their present strength.

As Henry George in *Progress and Poverty* pointed out, incomes, assets, etc., can be falsified and concealed, but land cannot be hidden. Hence, the collection of a site-value tax is not only easier than other forms of taxation, but there would be no need for the hosts of detectives, inspectors, investigators, lawyers, etc., who now devote their time to suspected instances of concealment and under-valuation. In the Transvaal, for example, the official lists of site-values are available for inspection, and any site-owner can inspect the official valuation of his own site and also the official valuations of his neighbors. An objector at a Valuation Court will frequently base his objection on the fact that an adjoining or nearby site has been valued at a different figure, and the Official Valuer must then justify his differential valuation.

I see no justification therefore, for the assertion that the full collection of annual ground rental value would mean reductions in social services, etc., and the repudiation of the national debt. I could write something also on this matter of 'national debt' but will pass on to another comment by Mr. Tideman.

Mr. Tideman writes: "Industries frequently set up their plants far into the country and the coercive element

that pushed up land values . . . is now greatly reduced." When the new gold fields in the Orange Free State were discovered "far into the country" there were of course small villages in the vicinity with land values at a low level; the discovery of gold, however, caused all the local landowners to boost land values way up to the sky. In addition to the land actually required by the mining companies for mining purposes on the surface, sites were also needed for the housing of thousands of employees, while others were sought by merchants and industrialists for the purpose of giving service to either the mining companies or their employees or both. Extensions to the existing village of Odendalsrus could well have served these purposes, but the local landowners demanded such fantastic prices for the required sites for houses, shops and factories, that the gold mine companies decided to start their own township and did so at Welkom which is now, in the short space of a few years, the second most populated town in the Orange Free State. The merchants and industrialists, as well as individual house-owners, bought their site requirements from the Welkom township instead of from the landowners of Odendalsrus, which little village is now of even less importance than it was before. It seems obvious to me that the "coercive element" does still exist even "far into the country."

Mr. Tideman concluded that the income tax should not be condemned as there was nothing to take its place. This remark may apply to the United States because of its constitutional set-up, whereby the taxing resources of the United States government (as distinct from state governments) are limited, but it does not apply to other countries. I hope readers outside the United States will realize this.

