

This lesson will analyze the basis for, and the results of, the remedy proposed by Henry George: a tax on the annual value of land, to be spent on public needs; eliminate all other taxes; socialize all businesses which are in their nature a monopoly (common roads, electric companies etc.); and eliminate all other monopolies, restrictions and impediments to production - including trade - within the limits of safety, health and the environment.

The public collection of rent would, of course, be based on the land's market value. Henry George suggested that slightly less than the full rental value be collected. This would leave a small selling price which would help the assessors in determining the value of land and keep the government out of the business of allocating land.

It starts with the foundation of human rights, that inherent awareness which arises by virtue of our birth: that we have a right to exist, and, to the best of our own abilities, mature and gratify our desires. If people cannot keep what they produce - food, clothing and shelter, they will not live, except by the charity of others. When any part of the result of an individual's labor is taken away, then their right to their self and their own existence is to an equal extent diminished.

However, you can't make something out of nothing. It is on the Earth that we stand and from the Earth that we produce wealth - food, clothing and shelter, etc. To grant one person a greater right to the Earth is to grant that individual a greater right to exist.

All people must have equal rights to the Earth and exclusive rights to the results of their labor. Anything less gives some individuals an unearned advantage over others.

Land is granted for exclusive use to enable the producers to keep what they produce. Who would plant a crop or build a house, much less a factory, without the security of the product? However, with this exclusive use comes another benefit: the value of land.

The value of land arises as the best quality of land is monopolized and those who desire to use it must resort to less productive land. The value of land also increases as people come together in communities. The concentration of people gives a greater potential for trade. This, in turn, permits specialization, concentrations of capital, and economies of scale (producing a large number of the same thing). The increase in production attaches to land; this is because trade becomes most efficient only on land where population is dense. The more dense the population, all other things being equal, the greater the value of land.

The value of land measures the advantage held by its owner. By paying to the public the annual value of land, whether it is used or not, the producer may retain undisturbed possession and yet satisfy everyone else's equal right to its use. The vehicle for this payment is a tax on the "potential land rent". This means, simply, collecting for the community a value produced by the community.

The potential rent tax cannot be passed on from the owners to the users, if they are different people, because the users are already paying all they are willing to pay rather than do without; the potential rent is a monopoly value.

In the analysis and the development of the model, the free land was yielding 16 units when we introduced land speculation. The remaining land in that block and the next 2 blocks were held out of use for that purpose. In reality a certain portion of all grades of land are held for speculation, from the most to the least valuable.

The Frontier or Free Land: When a tax is placed on the potential rent, it becomes unprofitable not to put it to its most economic use, within the legal limits of health, safety and the environment. Instead of labor and capital being spread out across all grades of land, they will gravitate towards the best. As this happens, the frontier will manifest itself again. The model now returns the frontier to the land that was free before land speculation was introduced.

AVG. WEALTH EXPECTED	36	32	28	24	20	16	12	8
AVG. WAGE & INTEREST	16	16	16	16	16	16		
POTENTIAL RENT (tax)	20	16	12	8	4	0		
	land already owned					free land		

Unemployment: As long as there is free land, everyone who is willing and able to work can independently employ themselves in providing their own subsistence and the satisfaction of their desires. There can be no involuntary unemployment. Under such circumstances the frontier will be just beyond the land which is fully in use. It will offer many of the benefits that are present on the better grades of land, but it will be free for the taking and using - no taxes will be paid as long as land of equal quality remains unclaimed. All people have an equal opportunity to engage on this land; the tax represents a charge for special advantage given to groups and individuals.

Wages: There will be a dynamic competition between the entrepreneurs, who monopolize the best grades of land and are striving to maximize production and profits, and the frontier with its natural opportunities freely available. No one will work for someone else for less than they can produce working for themselves. Look at the model: In this equation, one fourth the average production still equals the minimum; the average workers now get 4 times what they need. Reality might very well be similar; it will give them the ability to store up tools and equipment or buy stock in the corporations.

Interest: With the presence of a frontier, interest will again represent the advantage to be gained by the use of existing capital. The greater the savings and the increase of capital on the free land, the higher the general rate of interest. The transition from confiscatory taxes to land value taxes will simply force all landowners to become capitalists. As their unearned income from the land tends to diminish, the interest from their capital will increase. As the aggregate productions of the nation increases, interest from productive investment may well exceed former un-earned incomes from land.

Rent: As the frontier recedes to better land, two dynamic forces will be in play: the potential rent will tend to diminish, (refer to the model) and as land is put to its most economic use, cities will experience greater concentrations of capital, subdivisions of labor and rapidity of exchange. This will increase productivity on all land in use. However, the increase will be proportionate to the increase in population which will result in a tendency to increase rent. This increase in rent will, in the absence of land speculation, coexist with an increase in wages and interest.

The Selling Price of Land is based upon the profits to be expected in the future. When it is accepted that the tax will increase as the rental value of land increases, there will be nothing to base a selling price on. That means that land will be acquired by simply paying the annual value. A huge part of what was previously required for its purchase (the down payment, and interest on a mortgage), would now be available for the accumulation of capital.

- Quiz: 1. Will a tax on the rental value of land increase its rental value? (yes)(); (no)()
2. Will a tax on the rental value of land reduce its selling value? (yes)(); (no)()
3. Will a tax on the rental value of land create the opportunity for more job? (yes)(); (no)()
4. Will a tax on the rental value of land raise wages and the return to the owners of capital ? (yes)(); (no)()