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Review

Reviewed Work(s): Land-Value Taxation around the World

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# Land-Value Taxation Around the World

By GEORGE G. SAUSE JR.

THIS BOOK<sup>1</sup> briefly discusses the history and present status of the attempts to collect some, or all, of the economic rent of land for public purposes.

It is a small volume, containing just 200 pages, exclusive of the table of contents, authors' biographies and index. Fourteen authors have contributed selections, which causes some unavoidable discontinuity. The book, however, is well edited.<sup>2</sup> A brief summary of the justification of land-value taxation is made in the preface. Hereafter, it is assumed the reader is familiar with the principle and its most famous exponent, Henry George. Each author discusses the attempts to collect the economic rent of land in a single country but does not repeat the principles motivating this movement. Some space is devoted to the results of land-value taxation in Queensland, Pittsburgh, and Canada, but the book is, in general, descriptive rather than analytical. Although all the authors favor this form of taxation, they restrict themselves to facts and do not engage in propaganda.

The contributors strike a moderate tone. Land-value taxation is not presented as a panacea; nor is it presented as a means of attacking other revenue sources, such as the income tax. In fact, two of the authors show that economic rent is insufficient to support all the functions of a modern State.

The editors have emphasized the world-wide scope of this movement by covering eleven countries, located in five continents.

Four methods have been used to collect the "geologically and socially created land values" for public purposes.

1. Public ownership has been most successful in Australia, where the land of the Capital Territory, including the City of Canberra, is publicly owned. Long-term leases are granted to developers and the rent is determined by competitive bidding. Arrangements are made for reappraisals every twenty years. This system is common in other parts of Australia and to a lesser extent in some other countries.

A number of unsuccessful attempts and lost opportunities are noted. Argentina, as early as 1826, formally adopted this system, justifying it with arguments that might have been written by Henry George, but a revolution soon changed the Argentine system to one of private ownership.

<sup>1</sup> *Land-Value Taxation Around the World*. New York: Robert Schalkenbach Foundation, 1955, 223 pp., \$3.

<sup>2</sup> The editors were: Harry Gunnison Brown, Harold S. Buttenheim, Philip H. Cornick and Glenn E. Hoover. The project owes much to Miss V. G. Peterson, executive secretary of the foundation, who directed and coordinated it.

South Africa owns and leases the right to mine gold. However, as gold mining requires a large amount of capital, the competition for leases is not keen enough to yield to the public a large portion of the economic rent.

A number of countries at one time possessed vast amounts of public land but disposed of it to private owners. The small "single tax" enclaves remain as an example of the practicality of this method in the United States.

The "Enclaves of Economic Rent" are known to few outside the Henry George movement but have an interesting history. For the most part, they have been more successful than utopian communities established by other groups.

Several enclaves have been established in the United States. In each case land was obtained by a small group who wished to practice the ideas of Henry George. This land is leased to those who wish to use it—the lease payments being equal to the economic rent as determined by an executive council. The revenue is used to discharge taxes to the county and state and to provide for public improvements, education, etc. Such colonies founded in Alabama, Delaware, and New Jersey continue to prosper. Only the New England ones failed, possibly because of the excessive generosity of the founder, Mr. Fiske Warren, and their extremely complicated organizational structure.

2. A tax on the unimproved value of land is the most direct method of collecting economic rent. In a modified form, it is used in many countries as will be discussed in (3) below; but some local units in Canada, Australia, New Zealand, and South Africa levy no taxes on the value of improvements, restricting the real property tax to a land tax.
3. A tax on the value of land and improvements located thereon is found in several countries. This is the real estate tax familiar to all Americans. By applying a lower rate to improvements than to land this tax can be modified to approach (2) above. Two Pennsylvania cities use this "graded tax," as do a number of local units in New Zealand, Australia, Denmark, and South Africa. Local units in western Canada have achieved the same result by lowering the assessments on improvements but not on land. Because of its widespread use, the real estate tax collects more of the world's economic rent than any other tax.
4. A tax on the increase in the value of land is different in some respects from the other three. It does not attempt to collect the existing eco-

conomic rent, rather it appropriates for the public a portion of the increased value of land presumably caused by community growth.

This tax has been used successfully in Germany. Probably the most famous instance of this tax was the attempt by Lloyd George to apply it in Great Britain. The attempt proved unsuccessful but resulted in an important constitutional change—the loss of power by the House of Lords in 1911.

The motives of those advocating land value taxation may be varied. The majority hold to the conventional Georgist doctrine of collecting unearned increments and encouraging improvements. In Canada, however, the land speculators favored it, believing it would speed improvements, attract settlers, and so raise the value of land. This was possible only because taxes were low enough to allow the landlord to reap some of the economic rent. This latter point explains the failure of land-value taxation to halt the speculative Canadian land boom.

The authors refer to several older land reform movements, such as the Argentine decree of 1812 and the Chinese experience of about 2500 B. C., but most of the activity described took place after 1890 and before World War I. Since 1920, the movement to tax land values has made little progress. Comments on the reason for the rapid growth and subsequent relative stagnation would have been welcome.

However, the movement must be considered a success even if all the objectives have not been achieved.

Several of the selections reveal that a great deal of economic rent is being collected by public bodies. For example, Lawson Purdy estimates about one third of the ground rent is being collected in United States cities of over 25,000 population. In Denmark and in Queensland, Australia, it is estimated one half of the economic rent is collected. Other Australian states collect smaller percentages.

This book is a worthy contribution to the literature on land-value taxation. It presents in a single volume material which was obtainable only through a search of many sources or which, in some cases, was unavailable.

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#### Book Notices

*Parliamentary Government in the Commonwealth.* Ed. by Sydney D. Bailey. New York: Philosophical Library, 217 pp., \$4.50.

Twenty British and Commonwealth authorities analyze and assess British parliamentary traditions and conventions.