

# “The Perfect Tax”: A Plan Proposed in Malta

By Ernest G. Geoghegan

Herbert Spencer taught that land is common property, and should therefore be rented by the State; Henry George showed that the rent could be collected more cheaply in the form of a tax; always provided that a given percentage was left with the landlord such as would make it worth his while to retain possession of the land. No one can question that the State would receive a better income, and land would be more adequately used as the result of adopting Mr. George's proposal, instead of the Spencerian programme, and this quite apart from the fact that, as the tax can be gradually introduced, while Spencer's proposal involved a sudden change, the former is within, and the latter outside, practical politics; therefore justice requires that landlords should participate in this gain, as a payment for their services in collecting the rent and paying the tax.

Experience in Malta, where one-sixth of the land is “Government property,” directly leased by the Treasury to tenants, justifies that statement. To select a solitary example: It took four months to transfer a building from a tenant who no longer wanted it, to one who required it for a new business: for four months one party had to pay rent for that which was useless, while another was kept idle waiting for premises in which to start work. A private landlord could have made the transfer in four days. Losses of that nature, being inherent to all Government leases, depreciate the rent which the Government receives, possibly more than the sum which it is desirable to leave with landlords. This effectively answers the present-day question of land nationalization.

But those who with Dr Edward McGlynn, D.D., regard the provision of ground rent for Society's needs as, to quote his words, “a beautiful providence that may be truly called Divine,” there can be nothing indefinite about the margin which should be left with the landlord. The Single Tax, properly defined, must be as perfect in the minutest detail as the feathers on the wing of a moth, or any other divine creation.

But how is the landlord's just share to be fixed? Are fallible, and sometimes corruptible, men to decide that 5, 10, 15, or 20 per cent is to be left to them? And on what basis are they to decide? If that is necessary, at least one thing is certain, the equivalent will not be a “perfect” one, and therefore it could not be called a “Divine Providence.” In one district there is a floating population, the landlords are constantly called on to make new leases; in

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another there is a settled community, landlords pocket regular rents, and in return are only called on to write receipts every six months. A percentage which would be "a perfect equivalent" in the first case, would be excessive in the second; that which would be perfect in the second would be inadequate in the first.

The *Perfect Tax* cannot be dependent on the integrity of human officials when making a valuation, nor on the wisdom of human legislators when defining exactly what should be left with the landlords.

This perfect tax was first proposed in a paper read to the Chicago Single Tax Club in 1892, and is the finale of the programme at present being advocated in Malta. It is a tax of 100 per cent on the selling, not the rental, value of land. It is self-evident that this annual tax would cause land to sell for less than the annual rent. The first perfection that we note is that the difference between the selling and rental values would automatically adjust itself to the exact figure necessary to make it worth the landlord's while to retain possession of the land, and compensate him for rendering the public service of collecting the public revenue. Assume that average interest is 5 per cent and that 7 per cent covers the risk of temporary disuse of the land and the work required to collect the rent, which we will call "Agency," it follows that land which commands a ground rent of £112 per annum, would sell for £100, instead of, as to-day, selling for £2,240. Now, if the cost of agency increased or decreased, the price of the land would tend to decrease or increase, and thus readjust the difference between the tax and the ground rent so as to leave the required margin. Changes in the rate of interest would, by the action of the market, produce the same converse alteration in the selling value of the land—and therefore in the tax. For this reason the margin does not require adjustment by man-made inequitable laws; one divinely perfect law, a 100 per cent tax on the selling value of land, would in each place and at all times adjust the tax to the required figure.

Incidentally, this answers in the negative the present-day question: Should the basis of valuation be transferred from the selling to the rental value?

The second perfection is that official valuers, and valuations, become unnecessary: each landlord can be left free to register any value he chooses to report, as the basis of his tax. He will not over-estimate while the tax is a figure equal to his valuation, under-estimates will be made risky by the following three conditions: (a) That where land is required for public purposes, or improvements, the Government should have the right to pre-empt it on payment of the average of the last three years' declared value, plus 5 per cent plus the full value of recognized improvements. (b) That when any third party offered to register the land for five years at an increase of not less than 25 per cent over the landlord's last declared value, the Government should pre-empt the land for the benefit of said third party, subject to his paying the landlord a like sum, that is landlord's valuation plus 25 per cent as compensation, plus full value of all recognized improvements. (c) When any third party offered to register the land for five years at a sum not less than 10 per cent over the landlord's last declared value Government would give the landlord the option of amending his declaration, or of transferring the land to said third party in return for a sum equal to the valuation tendered by said party, plus