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On Shifting The Tax on Land Values

By LANCASTER M. GREENE

Though economists, real and alleged, agree that a tax on land values cannot be shifted, it is difficult for the average man to see wherein such a tax differs from others, most of which, as he well knows from painful experience, finally come to rest on him.

Put abstractly a real estate man may not see this proposition and may argue that the rent can be passed on or shifted. He may prove to you that the tax must come out of income, from land and buildings at any site or out of other earnings by the landlord. You may admit this. He may then argue that therefore the

tax on land values can be shifted, a conclusion which does not follow if the landlord digs up from other earnings or if the building is being milked to pay the tax on the site value.

Ask the real estate man "Will a higher real estate levy in your city lower or raise land prices?" His answer will be unequivocally, "It will lower the price of lots."

On the other hand, ask your landlord, "Will lower real estate levies raise the price of lots?" The answer will be "Naturally."

A Mr. Arnold was widely publicized for his successful campaign to cut the cost of public services in

Nebraska by eliminating profit. He organized tax payers' groups whose accountants checked myriad possibilities and cut the cost of municipal, county and state operation by millions. Mr. Arnold did this as a public service, and to build up the demand for his own farm land, and for his services as a broker and dealer in farm lands. Mr. Arnold's plan succeeded so well that every state saw taxpayers' federations by landlords who hoped to raise the price of land through government economy. The catch is that rising land prices call for more govern-

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 mental charity to those who are deprived of natural opportunity by its being withheld from production. A higher charity budget takes the place of graft, but the budget tends to go up, not down.

Further evidence is shown in the following experience. One of my clients agreed to read "Progress and Poverty," which I gave him to take to Philadelphia. On his next visit, he said, "That book is a remarkable piece of literature, and thinking, but we have found out how to solve our problems in our Main Line suburb without Henry George. We threw out all the rascals and the business men are running the town with the lowest tax rate in the country."

"Fine," I said, "tell me more about this. I suppose the end of graft brought apartment and house rentals down."

"Oh, no, they went up, for everyone wants to live where there are no crooks and there is good municipal service."

"Have you any vacant land?" I asked.

"Oh, yes. With the big estates, I'd say 80 per cent vacant land."

"Then," I suggested, "with all the crooks and rascals out, this vacant land is cheap, I suppose, and you can buy a lot and put up your own house at a much lower outlay than before."

"Oh, you have it figured out wrong. Everyone is willing to pay more for land in a town where the taxes are low for here they can hold for speculation for a long period without being eaten up by the taxes. In our town land prices have doubled and quadrupled since we turned the rascals out."

"Well," said I, and remained silent.

Finally my client said, "I guess we just exchanged crooks and rascals as extractors from our pockets for landowners who did as well."

Another experience which has been valuable to me in this problem was a lunch with three real estate men who had heard much of the Henry George School of Social Science, and who had heard just enough of land values taxation to establish an im-

portant point, namely, whether they could shift a land values tax.

I went through the basic reasoning but they felt that I was choosing examples especially suited for a pro-conclusion.

"Pick your own facts as example," I suggested, "and make it difficult for this theory."

"Well, then, we'll pick a building site in the 30's on Sixth Avenue, before the demolition of the 'elevated.' The rent is \$1,200 for the site and the city is now taking \$600. When the 'el' comes down the city proposes to pay the cost of razing by taking more of the rent, say another \$600.

"But our firm fully expects to charge \$2,400 for the site after the 'el' is down. Aren't we going to pass on the land values tax?"

"Are you sure this is hard enough and unfair enough to the proposition to be conclusive?" I asked.

"That's what we tried for," they said.

"The question hangs on whether the city will have improved this Sixth Avenue site out of proportion to other values, say on Fifth, Madison, or Third Avenues," I said. "Does this prospective higher rent come because this land is improved, or made more desirable by community action?"

"By the improvement," they agreed.

"Then imagine my having the power to rescind the action to raze the elevated structure on Sixth Avenue. If I did this could your plan to raise the ground rent from \$1,200 to \$2,400 succeed even though the city should take a \$600 increase in tax of \$1,200 annually on the site?"

"No indeed, for the other sites have not increased, and we could not raise our demands unless there were a big relative improvement on Sixth Avenue. We have no doubts whatever now that we could not shift a land values tax."

They appeared quite depressed at the thought of the ending of all land brokerage commissions as soon as a sufficient number of others realize the implications of a site rent tax for equality of opportunity.

To lift their thoughts to a brighter

prospect, I asked, "Would there be more buildings to manage, without taxes on buildings and production?"

"Oh, yes," they agreed.

"And how much of the real estate business is management?"

"About 90%," they said, brightening, "but of course, the annual rent of building would be lower as more buildings are constructed, and there would be a lot."

I hope these illustrations may be helpful to those who would understand, "Why the landowner cannot shift the tax on land value."