

Johannesburg: An Economic Error

By Sandy Wise

According to friend and foe alike: it just won't work. It is rather heartbreaking to exhaust yourself presenting arguments for the socialization of rent and then to be told that—it just doesn't work out. And the unfortunate part of it all is that people aren't using that statement as a subterfuge. The experiments advertised as partial applications of the "Single Tax" definitely warrant the statement. Examples of the failure of land value taxation as a social instrument—Pittsburgh, Vancouver, Fairhope, Arden—place the advocates of the George theory decidedly on the defensive. Speculation and its economic consequences have not been eliminated in these places. If Henry George's philosophy is to be judged by these experiments, then it must indeed be only a fanciful theory.

But, Henry George's philosophy is not land value taxation—any more than it is just free trade between nations. It is the doctrine of human freedom, based upon economic criteria. And he implemented this doctrine with a practical means for securing economic freedom. The means:

The appropriation by society of the full rental value of land and the abolition of all taxes on production.

That is the proposition by which George must stand or fall, and the only fair method of testing it is to apply it in full. Thus, when I attempted to study the advertised experiments of the "Single Tax," some strange things came to light, and it became apparent that there is a valid reason for their failure to produce the social benefits George promised us.

Let us look at Johannesburg, Union of South Africa, for example. Recently I came across a book that fairly cooed in its praise of the results of land value taxation as applied in that city. The book is

"City Government: The Johannesburg Experiment," by John P. R. Maud. Mr. Maud is obviously quite friendly to the fiscal policy of Johannesburg.

This is a city of 438,000 population, metropolis of the Transvaal, center of transportation and commerce, surrounded by rich agricultural and mining districts. For some years it has been operating under a system of land value taxation.

As might be suspected, there are two economic groups in that city: landowners and producers. And, as also might be suspected, the landowners are none too anxious to help land value taxation along. So that despite the fact that the City Council has exempted improvements from taxation and has placed a tax on land values, the landowners are laboring under no immediate handicap. The rate of land value taxation is \$.14 in \$5 (about 3%) on land, and the council reserves the right to impose taxes on improvements whenever it sees fit. It is obvious that the reservation of the right to tax improvements is something for the landowners to fight for if and when there is any threat of an increase of taxes on land values. Also, it can easily be employed as a bludgeon to beat down any budgetary increase which might call for greater tax revenue. The 3% rate has been in effect since 1916 with the exception of two years, during which it was raised to \$.20 in \$5. But the rise was short lived and immediately afterward was reduced to \$.14. Thus for two years the demands of the inhabitants called for more social services and the budget had to be expanded. In turn this required more tax revenue and the tax rate on land value was upped. How the land-

owners let anyone slip this over on them is not explained in the book.

Now when the tax rate was reduced again to 3%, one of two things happened: Either the budget was reduced, or the greater revenue was raised in some other manner. I don't know; but in either case could the producers win?

In fact, Mr. Maud (who does not claim to be a follower of George, if indeed he has any knowledge of the philosophy) is delighted to report that land value taxation, far from providing all social demands and replacing industrial taxes, is deliberately kept at a minimum; that public improvements are neglected and that that part of the budget not satisfied by land value taxation is met by other forms of taxation!

"But there are other reasons (for the smallness of the tax)," states Mr. Maud, "of perhaps greater importance. First the council has not developed welfare services as the English town councils have done. It has therefore escaped the necessity of increasing its demands upon the ratepayers to the same extent as the English councils. Not only are water, electricity, gas, transport, the rent of municipal houses, the hiring of rooms in the town hall, the use of swimming baths, and the services of the abattoir, live stock and produce markets all paid for in this way, but sanitary and sewerage services also." (Emphasis mine.)

No wonder the "Single Tax" doesn't work! Wherever George's proposal to socialize rent has been bastardized into land value taxation, the landlords have seen to it that social services have been kept at a minimum, and that other forms of taxation were imposed on production.

New York can hardly be considered a "Single Tax" city. Let's compare the fiscal picture of that city with that of Johannesburg. There appears to be a fair basis for comparison, and the figures are interesting. Our starting point is the tax rate, for in both cities it is approximately 3%.



	Johannes- burg	New York City
Population	438,000	7,000,000
Income from L. V. T.	\$3,000,000	\$240,000,000
Budget	\$19,000,000	\$600,000,000
Revenue from Production Taxes	\$16,000,000	\$360,000,000

From the figures we discover that New York, the non-"Single Tax" City, accounts for 40% of its budget by land value taxation, whereas only 16% of the budget comes from land values in the "Single Tax" city of Johannesburg. Not only that, but the land value revenue in New York is 80 times as great as that of Johannesburg. Its population is only 16

times that of the South African city!

No wonder "it" doesn't work! From the figures it must be obvious that New York might be considered more of a "Single Tax" city than Johannesburg. Yet New York is hardly the ideal that Henry George advocated. It, too, suffers somewhat from land speculation and its attendant social evils.

Obviously when the same tax rate produces such relative differences in returns between New York and Johannesburg, land value taxation does not in itself contain any social promise. The reason is that a tax on land values amounting to anything

less than 100% of the rent defeats the very purpose which George had in mind. The 100% land value tax has a double duty: firstly, to eliminate preemptive privileges in land which, through speculation, reduce wages and interest, and therefore stifle production, and, secondly, to make unnecessary any levies on the production of capital and labor.

In Johannesburg, speculation is rife. Industry is taxed. Social services are at a minimum. Monopolies bloom. Poverty is rampant. Land value taxation there has proved that land value taxation is not what George advocated.