

Our Lop-Sided Taxation

LOUIS WALLIS in *The Financial World*

UNDERNEATH all of our industrial and business life is a crooked, lop-sided method of taxation which poisons our economic system.

The situation is best explained by a concrete example: Two pieces of land, equally valuable, lie side by side. An enterprising capitalist buys and improves one of these lots, erecting upon it a business block, or a factory, or a residence; and he thus employs labor in producing wealth. But a heavy load of taxation is instantly imposed upon the improvement; while, at the same time, a much lighter proportional tax continues to be levied upon the adjoining vacant land. Familiar as these facts are, they nevertheless imply a great, unrecognized economic tragedy which the general public has not yet glimpsed.

TAXATION TRAGEDY

Here is the tragedy in a nut-shell: There is a heavy penalty upon the production of wealth and the employment of labor; while all the time there is an actual, effective premium upon holding the ground idle, so that encouragement is constantly given to speculation in the most essential necessity of life (since every human being must occupy ground or space before he can do anything else).

Ground rent is the meter measure of unearned land value due to the presence of population which constantly needs to occupy and use physical space. And yet this unearned space-value, arising from the mass-pressure of society, is taxed very lightly in comparison with the burdensome taxes on the value of improvements and merchandise created by labor and capital.

The more we consider lop-sided taxation, the more grotesque and weird are the shapes that it assumes. Thus, before you can be productive and employ labor by putting up an apartment building, or a business block, or a factory, or a home, you must begin by paying a high purchase price for the location, or by contracting to pay a heavy annual ground rent for the simple reason that some speculator who is doing nothing with the land, and who employs no labor on it, has been taxed so lightly that he is able to hold the ground vacant until somebody who wants to be productive and employ labor is willing to pay the speculator a high price for the opportunity. And then, after the building has been erected by human labor, in cooperation with capital, the labor value in the structure is taxed far more heavily in proportion than the ground rental value of the location is taxed.

Ground rent and taxation have now reached a point in the United States where both capital and labor are increasingly blockaded to such a degree that neither the building industry nor any other productive work can go on profitably. Millions of our people are inadequately housed. But so long as lop-sided taxation is practised,

no remedy for the great and growing problem of the slums will be possible. Capital is piling up in the bank and labor is idle or can obtain work only at insufficient wages.

Crooked taxes were put into force by the landed aristocracy of Great Britain and Europe when America was being settled by our colonial forefathers. There was a great difficulty at first, when taxes were low and there was a big western frontier of cheap land. But today the weight of taxation is enormous; and all vacant land (especially in and around our great centers of population) is held at prices and rentals which, together with heavy taxes, make industry a losing game.

To remedy the difficulty, the big city of Sydney, Australia, with a million inhabitants, has abolished all municipal taxes on business blocks, factories and homes, and is taxing the ground rent which land monopolists have been collecting for private account. There is also a heavy tax on speculative held vacant land; so that more land is thrown into the active market at lower prices.

BRITISH RESOLUTIONS

Observing the good effect of land value taxation, with exemption of improvements, as carried out in Australia, the London County Council, together with two hundred and thirty other city councils throughout England, Scotland, and Wales, has recently passed, by overwhelmingly majorities, resolutions asking Parliament for authority to reduce the fiscal burdens on improvements, merchandise, etc., and increase the taxation upon ground rents. It also asks that property now collected for private account, and also the taxes upon vacant sites in order to throw more land into the market at lower prices.

This problem will have to be taken up by the American people at once—not at some distant time in the future, and so the readers of *The Financial World* can help the country by bringing their minds to bear upon economic problems from a new point of approach. The city of Pittsburgh, Pennsylvania, has already begun to separate the value of improvements from land values for purposes of local taxation, and to shift the tax burden slowly over from buildings to the value of improved and vacant land. The importance of this plan is becoming clear to land manufacturers in that city, and must in time be evident to all business men.

AS the sun is the lord of life, as well as of light; as its beams not merely pierce the clouds, but supply all growth, supply all motion, and call forth from what would otherwise be a cold and inert mass all the infinite diversities of being and beauty, so is liberty to mankind. It is not for an abstraction that men have toiled and died; that in every age the witnesses of Liberty have stood forth, and the martyrs of Liberty have suffered.

HENRY GEORGE