

HENRY GEORGE

(1839-1897)

AND THE CASE FOR A SINGLE TAX

RODERICK MOORE



Editorial Note: How to raise taxes of any kind is not a major concern among most libertarians. We believe not that taxes should be of any particular kind, but that there should, at the very least, be far fewer of them and that they should be set at a far lower rate. *Many of us believe that there should be no taxes at all*, and that such things as law enforcement and “national defence” can and should be supplied and financed entirely by voluntaristic means. All of which means that, if uncommented upon, this otherwise useful and informative short piece would have been seriously misleading.

We have no problem with authors dissenting from this or that aspect of the libertarian orthodoxy — insofar as such a thing exists. (On taxation it most definitely does exist.) But if they do not say that this is what they are doing, and thus give a misleading idea of what that orthodoxy is, then they may, as here, find us doing this for them.

Given that the government has to raise money somehow to pay for law enforcement and national defence, there remains the question of how it should do it. At present, most of its revenue comes from taxes on individual or corporate income or expenditure. One of the main problems with all these taxes is that there are any number of ways in which they can be evaded by fraudulent means. This problem is becoming increasingly severe today because of information technology, which enables money to change hands electronically without the authorities knowing about it, but it is probably as old as taxation itself. The difficulty of detecting fraud was one of several criticisms of existing taxes which were made by Henry George in his book *Progress and Poverty* in 1879 (last reprinted by Dent, London, 1976). George argued that the government should raise all its revenue by a single tax on the site value of land. Despite its merits, this idea has never caught on, probably because it was only secondary to George’s main argument, which was that private ownership of land is wrong. It is worth taking a closer look at his arguments so that we can separate the good ideas from the bad ones.

100% TAX ON THE SITE VALUE OF LAND

George was against private ownership of land on the grounds that land is not created by man but exists independently, unlike other kinds of property, which are manufactured. He believed that land should be treated as common property and everyone should have an equal right to use it. He also objected to the fact that the value of a landowner’s property can increase without any effort on his part if the land is situated in a sparsely populated area which becomes more densely populated, so that the demand for land increases. He regarded it as unfair that a private owner should benefit when it was the community as a whole which had

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caused the increase in the value of the land. He considered nationalisation as a solution, but rejected it on the grounds that it would require a big expansion of the government's administrative apparatus. The solution which he proposed was that the government should leave land in the hands of the existing owners, but charge a 100% tax on the site value of the land, so that the owners would not benefit from it. (He accepted that owners had a right to benefit from improvements to the land which they had made themselves.)

100% OF ZERO IS ZERO

George's arguments about land ownership have often been criticised by classical liberals and libertarians. Critics have pointed out that all property consists of matter, and matter itself exists independently of human effort, so George's argument against private property should logically apply to any kind of property, not just land. The same criticism applies to the argument that the value of land is created by the community rather than the owner. In fact, the value of everything depends on the relationship between supply and demand, not just demand alone or supply alone, so the value of any kind of property can increase if there is more demand for it from the community, even though the owner does nothing. The classical liberal philosopher John Locke, who lived two hundred years before George, argued that everyone should have an equal right to claim ownership of land which was not owned by anyone else, if they improved it and made it more productive, but having the right to try to become the owner of something is not the same as owning it already. As for the 100% tax on site value, it would be impossible to collect, because if owners were unable to obtain any benefit from their land, its value would be zero, and 100% of zero is zero.

MAKING OWNERS USE THEIR LAND MORE INTENSIVELY

Although a 100% tax on site value would be no good, a tax of less than 100% would be feasible. George argued that, apart from the question of property rights, a tax on site value would raise revenue more efficiently than existing taxes. Taxes on labour, capital and improved land always reduce the production of wealth by increasing the costs of production and reducing the reward to the producer. On the other hand, a tax on site value would increase the production of wealth by making owners use their land more intensively, so that it yielded higher profits. This would be in their interests because no matter how intensively the land was used, the tax would be the same. Producing wealth basically means rearranging matter into a more useful form, so all taxes on labour, improved land or manufactured goods are, in effect, taxes on matter. A tax on site value, however, would be a tax on space, which would make all the difference.

SITE VALUE CAN EASILY BE ASSESSED

Another advantage of a site value tax would be that it would be easy and cheap to collect. Land cannot be hidden or taken away into another jurisdiction, so there would be no need to employ a large number of investigators to detect fraud. Site value can easily be assessed, so it would only take a few officials to do it, and their assessments could be published on maps and made available for public inspection, so that the system would be seen to be fair. In any case, it would obviously take a lot fewer people to collect one single tax than many different taxes.

THE SUPPLY OF LAND IS MORE INELASTIC

Apart from the salaries of tax-collectors, there is another way in which a tax can cost the public more money than the government receives. Whenever a good or a service is taxed, sellers always try to pass on the tax to buyers by charging a higher price. The price increases at each stage of the production process, as each producer tries to charge enough to make a profit on top of the tax, and by the time the product reaches the consumers, they may end up paying a lot more than the original cost of the tax. The more elastic the supply of the product is in relation to the demand for it, the more the price will increase. However, the supply of land is more inelastic than the supply of anything else, so a site value tax would minimise the increase in prices.

THE BAD IDEAS AS WELL AS THE GOOD ONES

Ever since *Progress and Poverty* was first published, pressure groups have been trying to put George's theories into practice, but they have never got anywhere, because they have been trying to implement his entire program, including the bad ideas as well as the good ones. If his arguments for a more efficient tax system were separated from his unsound ideas about property rights, they would stand more chance of being accepted, and if they were accepted, the effects on the economy would be highly beneficial.

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