THE SINGLE TAX AND ITS
PRACTICAL MODIFICATIONS

by
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"It would require less than the fingers of the two hands to enumerate those who, from Plato down, rank with this man among the world's great social philosophers. No man, no graduate of a higher educational institution, has a right to regard himself as an educated man in social thought unless he has some first-hand acquaintance with the theoretical contribution of this great American thinker."

John Dewey

"Men like Henry George are rare. Every line of Progress and Poverty is written as if for our generation."

Albert Einstein
CHAPTER I

THE LIFE OF HENRY GEORGE

Early Years

Henry George was born on September 2, 1839, in the city of Philadelphia. He was the oldest son and the second of ten children. Between the age of six and fourteen he attended four different schools and did poorly in all of them. He barely got through the grammar grades and entered high school, where he stayed almost half a year. This marked the end of George's formal education.

Never having done well in school and being of a restless, impatient nature, he firmly served notice on his parents that he wished to go to sea. So it was that at the age of sixteen in April, 1855, he sailed for Australia and India on the "Hindoo."

It was an old, 600-ton ship, having been bought for tramp service after twenty-five years as an East Indianman. From the account of George's diary it carried lumber and took a good deal of tinkering, but otherwise the voyage was uneventful.

Although the "Hindoo" lay off Melbourne nearly a month, George looked the town over only once and did not like it. It was three years after the gold rush of 1852; hard times had set in and all the people he saw were poor, idle and dejected. Calcutta also disappointed him. He observed the quaint features of native life, the bamboo huts, the odd-shaped river boats, the home-made earthenware. He noticed too the beautiful country homes of the rich English living on both sides of the river and, by way of contrast, the number of corpses floating downstream, in all stages of decomposition, covered with black-birds picking them to pieces. "The first one I saw filled me with horror and disgust," he wrote, "but, like the natives, you soon cease to pay any attention to them." It was hardly the India that a boy dreams of at a distance, and when the "Hindoo" got her 1,000 tons of rice he was glad to leave.

Back in Philadelphia after fourteen months at sea, George took a job as a type setter. This particular job was his father's idea of a way to improve George's spelling. It helped some but, like some great writers (e.g., Count Tolstoy), he could not spell and misspelled common words all his life. He stayed at this job nine months but quit as a consequence of a
disagreement with his foreman. The depression of 1857 was on and what few jobs were available paid sweat shop wages. With no prospect of employment in Philadelphia, George worked his way to Boston on a topmast schooner carrying coal. Finding the situation no better in Boston, he shipped out on the lighthouse tender "Shubrick" which sailed around the Horn to San Francisco.

George went West for quick money, but he found the mineral lands of California taken up. He tried Oregon, with no better luck. During this period he lived by farm work, peddling, store keeping, and finally back to type setting. But jobs were scarce and uncertain, and soon he was adrift again. George was now twenty-two and with some borrowed money made an elopement marriage, which appears to have remained perfect until his death.

He continued newspaper work and went from paper to paper in the various capacities of typesetter, editor, and part owner. He was a spirited editor, engaged in almost constant rows and was always on the popular side in his treatment of state and local grievances. His employer sent him to New York to arrange with Western Union to set up a competing service to the Associated Press monopoly. After Western Union turned a deaf ear, George succeeded in getting an anti-monopoly bill part way through the California Legislature. The final result was that the monopoly broke his paper. He attacked the Wells Fargo monopoly, and lost again.
With a new editorship he now attacked the Central Pacific's subsidies and ran as a Democratic candidate for the assembly. Again there was too much money on the other side. The Democrats lost, the Central Pacific bought up his paper, merged it with another, and George was out.

**George Encounters his First Economic Problem**

A depression was on, and jobs were practically non-existent. George was now twenty-five years old and living in dire poverty in San Francisco. Years later he wrote of this period:

> I came near starving to death, and at one time I was so close to it that I think I should have but for the job of printing a few cards, which enabled us to buy a little corn meal. In this darkest time of my life, my second child was born.

When this happened he was alone with a new-born infant and a helpless woman. In a desperate state of mind, he said:

> I walked along the street and made up my mind to get money from the first man whose appearance might indicate that he had it to give. I stopped a man, a stranger, and told him I wanted five dollars. He asked what I wanted it for. I told him that my wife was confined and that I had nothing to give her to eat. He gave me the money. If he had not, I think I was desperate enough to have killed him."

Every turn of public affairs brought old haunting questions to George. Years before while working at his first job as a typesetter, he had heard an old printer say that wages were always higher in a new country than in an old country. They were higher in the United States than in Europe, and higher in Australia than in England. Moreover, wages were even
higher in the newer parts of new countries. They were higher in Oregon and California than in New York and Pennsylvania. This was the first economic puzzle George encountered. He had encountered another when his employer had sent him to New York. There he saw slum dwellers living in wretchedness and degradation, while at the other extreme were the gaudy riches of the post-war period. Why? What was the cause of this enormous inequality in the distribution of wealth?

Even now, in California, he could see the developing symptoms of inequality that oppressed New York. The railroad was bringing in population and commodities, yet wages were going down just like the old printer had said. Why, in such a bountifully blessed land where progress was being made so rapidly, should there be poverty? When labor can produce so much, why should the laborer get so little?

Finding a Possible Answer to the Problem

One day in 1871 while riding, George stopped to rest his horse on a rise overlooking San Francisco Bay. With nothing better to say, he asked a passing teamster what land was worth in that area. The teamster's reply was that he did not know exactly but that he thought there was some land nearby which could be bought for $1,000 an acre. Suddenly George realized that here was the answer he had been seeking for years. Here was the reason for increasing poverty which accompanied
increasing progress and wealth. When population grows, land grows in value and more must be paid for the privilege of using it. This was why wages had been so high in 1849 that cooks in San Francisco restaurants got $500 a month. Anyone could work placer mines without paying for the privilege. Had the land been owned by someone, land values would have gone up rather than wages.

The new terminus of the Central Pacific was to be at Oakland, and as a consequence land values had gone up. The better transportation facilities, larger population, public improvements, more industry and commerce—all these things were progress. Yet because they induced higher land values, wages would tend to be less and poverty greater. With new discovery and invention, with population growth, productive capacity increases and labor products tend to decrease in price; but land, the indispensable factor of production, tends to increase in price. Regardless of the increased quantity and efficiency of production, more must be paid for land for the opportunity to produce. Consequently labor and capital receive less while land owners reap the benefits of progress in the form of great, unearned wealth.

The Significance of Land

George reasoned that since there are three factors of production—land or natural resources, labor, and capital—when land and natural resources are unappropriated, the yield
of production must be divided between capital and labor in the form of wages and interest; while when land is appropriated, the yield of production is subjected to the additional charge of rent. But the value of land and natural resources is of social origin and is created by the community. This being the case, rent belongs to the community and not to the individual. Private ownership of land and natural resources should continue. An individual should own all the land he can use, but he should pay the community the annual rental value of that land, the amount of rent other people would be willing to pay for the use of this land. To George there was justification for wages and interest as the legitimate return to labor and capital, but he believed there was no justification for the private appropriation of community-created economic rent.

George Puts his Ideas into Writing

George put these ideas into writing in 1871 in the form of a forty-eight page pamphlet entitled Our Land and Land Policy, National and State. The pamphlet was not widely circulated and George felt the ideas should have a more comprehensive treatment. He believed that he could write a substantial treatise on these ideas, but the problem was to find a means of support for his family in the meantime.

In the past election he had used his influence on the Democratic side, so he wrote to Governor Irwin asking that he be given "a place where there is a little to do and something
to get, so that I can devote myself to some important writing." The Governor complied in January, 1876, by giving him a sinecure, State Inspector of Gas Meters.

George worked on his book for eighteen months, from September, 1877 to March, 1879. He gave his 600-page manuscript the title of "Progress and Poverty; An Inquiry into the Cause of Industrial Depressions and of Increase of Want with Increase of Wealth; The Remedy." The problem was to find someone to publish it. No book on political economy had ever sold well enough to make publishers receptive. One publisher objected to it as revolutionary, but most were disinterested because the book was simply a bad prospect. Finally George and some friends got together enough money to make plates for an author's edition of 500 copies, and George himself set the first few sticks of type. Enough copies were sold at three dollars to clear the costs. Appleton had rejected the manuscript but offered to publish it in a two-dollar edition if George would let them have the plates. This was done, but the publication fell dead. It did not even receive adequate press notices. After a review in the New York Sun, some interest was shown but it amounted to very little.

First Publicity

At this time the whole English-speaking world was watching the Irish rent war with great interest. While Progress and Poverty remained dormant, George wrote a pamphlet entitled
The Irish Land Question; What it Involves, and How Alone it can be Settled. The publication of this pamphlet, which George wrote in his spare time, was soon to change the course of his life.

The Irish influence on the east coast was strong, and accordingly the newspapers gave great space to the ideas set forth in the pamphlet. A tremendous rabble of enthusiastic Irish carried George to worldwide fame. He was against the Irish Government and the landlords; that was enough for them. George was placed on the lecture platform by the American branch of The Land League, and when the Irish trouble culminated in the imprisonment of its leaders, an Irish newspaper in New York sent him to Ireland as a correspondent. His reports got wide circulation in The Irish World. When he crossed to England, curiosity and interest opened many doors. He dined with Besant, Herbert Spencer, Tennyson, Justin McCarthy, Wallace, Browning, Chamberlain and John Bright, and spoke in England and Scotland. Upon his return to Ireland he got even wider publicity by being jailed on suspicion.

Because of this incident, George wrote the President a hotly indignant letter. Not only did this add to his publicity, but the Secretary of State asked George to file a claim for damages. This he refused to do, contending that he was interested only in seeing that the rights of American citizens in foreign lands were properly defended.

The net effect of all this publicity was to make Progress
and Poverty an international best seller. After a five-column review in The London Times, its sale was assured in the British possessions. The success of Progress and Poverty was due to the fact that times were right for the book and stayed right for twenty years. It was the wave of discontent of the times that carried George and his book to fame. Upon his return from Europe he was invited everywhere, asked to speak at all types of occasions, and banqueted innumerably. Newspapers publicized him, the labor unions held a mass meeting for him, and even the notables of Wall Street dined him at Delmonico's with Justice Van Brunt, Henry Ward Beecher and Francis B. Thurber among the speakers.

Reformist Tactics

A reformer has open to him three courses of action. He can carry his cause directly to the people and promote it by political methods; he can win over to his cause people who are powerful and influential and thus promote his cause indirectly; or he can merely state his cause and let it stand or fall on its own merits. The first course is that of the missionary, and to George it seemed the only way. During the next few years he was constantly before the public, speaking, writing, and developing the political character of his doctrine.

George was probably the most effective speaker of his time. The London Times considered him the equal of Cobden or Bright, if not a little better; but he never took advantage of
an audience or left any doubt as to his position and ideas.

George's agitation by now was becoming a thorn in the side of his friends and supporters, as well as of his enemies. His opposition to any compromise or modification of the issues of the rent war lost the support of the Irish leaders. The Socialists had been friendly but turned their back when George condemned collectivism and state-ism. Like Jefferson and Paine, George believed that that government is best which governs least, that government is but a necessary evil even at its best. The Democrats arranged a long series of speeches for George when the Republicans raised the tariff issue in the 1880 election. In his first speech he said that he had heard of high-tariff Democrats and low-tariff Democrats, but that he was a no-tariff Democrat who wanted real free trade. He was asked not to make any more speeches. Thus he fell out with every organized group—the Socialists, the Irish, the Laborites, the Progressives, and the Liberals.

**Prestige Shattered**

At the end of this two-year agitationist period following his return from Europe, George decided to run as the labor candidate for mayor of New York City, a decision which was to shatter irreparably the prestige he had attained. He had been approached by Tammany and offered a seat in Congress if he would decline the nomination, but he had made up his mind to run. Hewitt and Roosevelt were the other candidates, and their
methods bore hard on George whom it was easy to vilify. Hewitt won nominally and was probably counted in.

Times were changing. The country was entering a period of socio-politico-economic bedlam. This was the era of McKinley and imperialism, Bryan and free silver, the Spanish War, Roosevelt and progressivism, foreign entanglement, populism, the Square Deal, Carrie Nation and her hatchet, La Follette and the Wisconsin Idea, women's suffrage, the anti-saloon league, initiative and referendum, and commission government for cities. Within a year, amidst this rabble and bedlam George dropped into oblivion, from which he never returned.

During the next five years George devoted himself to editing a weekly newspaper, The Standard, and to writing another book, The Science of Political Economy. Some well-to-do friends saw to it that he could devote himself to writing without financial anxiety for the first time in his life. Although his books had sold by the millions and his speeches attracted thousands, he had never made a cent from either.

Ten years after his defeat as labor candidate for mayor of New York, George was again asked to run for the same office. His health was poor, but he accepted the nomination against the advice of his physicians and friends. He campaigned at a rapid pace, speaking at one or two meetings every evening. Five days before the election, Henry George returned home exhausted after speaking at four evening meetings. In the early hours
of the next morning, October 29, 1897, he died. As his body lay in state in the Grand Central Palace 200,000 people filed past his bier in final tribute, and a funeral procession of thousands followed to his final resting place in Greenwood Cemetery.
CHAPTER II

THEORY AND CRITICISM OF THE SINGLE TAX

George believed firmly that the value of land and natural resources is of social origin and therefore that rent belongs to the community rather than to the individual. His idea was original but not new, nor was the land problem new. But any idea demanding sweeping economic changes must come into existence in response to some real need, some injustice or wrong. To understand the cause of the idea is half-way to understand the idea itself.

Land Reform - An Ancient Problem

George's Single Tax was a method of approach to the problem of creating greater equality in accessibility to the material resources of the earth, a problem as old as recorded history. Whenever the problem has arisen, it has been in response to an offense of the moral sense by the inequalities of fortune, the frequently unearned and undeserved luxuries of the rich, and the equally unearned and undeserved misery and poverty of the poor. The author of Ecclesiastes wrote that the "profit of the earth is for all," and almost without exception every agrarian reform movement exhibits this idea. Even farther back in history there are indications of the
application of this idea to the land problem. Moses set forth the law that there should be a year of jubilee in which all land tenures should cease and a re-apportionment take place as a means of averting the inequalities of indefinite, unrestricted, private control of land. To both these men the accessibility of land, the source of wealth, was the key to the well-being of the people. To view the importance of the land reform movement in its proper perspective, it is necessary to realize its ancient and honorable pedigree, its development by the early masters of socio-economic philosophy, and its subsequent persistence in some form in the philosophies of the great thinkers of later ages.

**Historical Background of the Single Tax**

The idea of land value taxation which George proposed and which his followers gave the name "Single Tax" was developed in the seventeenth and eighteenth centuries. Spinoza (1632–1677) proposed in his "Tractatus Politicus" that ground rent should be used to meet the expenses of government. Thomas Paine's pamphlet, *Agrarian Justice Opposed to Agrarian Law and to Agrarian Monopoly*, appeared in 1797 and distinguished between natural and artificial property. Paine wrote that


private appropriation of land had dispossessed more than half
the inhabitants of every nation of their natural inheritance,
and that justice demanded indemnification. George was also
anticipated by Patrick Dove, a Scotchman who in 1850 wrote
The Theory of Human Progression and Natural Probability of a
Reign of Justice. Dove believed that actual division of land
as a remedy to poverty would be futile, but that all taxes
should come from ground rents and that other forms of taxation
should be abolished.

Spencer, in his Social Statics, condemned private prop-
erty in land but subsequently recanted. The Physiocratic
concept that all wealth is derived from land found expression
in the term produit net, the surplus above the cost of produc-
tion.

The Physiocrats believed that the produit net, by the use
of the impot unique, a single tax on land, should fill the

1. Patrick E. Dove, The Theory of Human Progression and
Natural Probability of a Reign of Justice (reprinted and edited

2. Herbert Spencer, Social Statics (New York: D. Apple-

3. Henry George, A Perplexed Philosopher (New York:

Social Sciences, V, 348.

5. J.D. Miller, editor, Single Tax Yearbook (New York:
N. Young, The Single Tax Movement in the United States (Princeton:
Princeton University Press, 1916), pp. 14, 18; Edwin
fiscal needs of the state. David Ricardo, who defined "economic rent" as a measure of the difference between marginal producing land and land of higher productivity, was greatly influenced by the *produit net* concept, as were other classical economists. "Economic rent" was thus a measure of the differential productivity of land and, as a surplus over cost of production, was considered an unearned payment to the owner.

Following this concept John Stuart Mill advocated the "future increment" theory of taxation. Mill recognized that the value of land tended to increase with community growth and advocated heavy taxation on the future increment of land to return to the community as much as possible of the value it had created. This he believed to be just and equitable since the capitalized present value of land would reflect future expectations of land value increases.


George's Proposal

This doctrine of the "unearned increment" was expanded by Henry George into a crusade for socio-economic reform. He believed that it was undesirable to levy taxes on anything but land and that it was unjust for individuals to receive income from land whose value was created by the natural progress of civilization. Accordingly, since land values were community created and no individual had a right to privately appropriate community-created value, he urged a confiscatory tax on land rent which would appropriate the economic rent of land to the community and be fiscally adequate for the operation of various levels of government.

When George set forth his ideas in Progress and Poverty they caught the public imagination. He wrote with an eloquent style, and his ideas filled the need of the times for a new social philosophy. His program was simple. His doctrine did not involve confiscation or communization of land, but

1. Henry George, Progress and Poverty (New York: Robert Schalkenbach Foundation, 1942); Seligman, Essays in Taxation, Ch. 3; Young, op. cit., pp. 15-18.

proposed to appropriate rent by taxation and to abolish all taxation except that on land values. His ideas spread as he lectured abroad and at home; they were supported not only by the labor unions who heralded him not as the bearer of a specific doctrine but as a symbol of reform, but also by many of the wealthy since his doctrine was not a threat to the business system.

To begin and maintain a popular movement it is the moral sense, rather than the intellect, to which an appeal must be made. Unless a question can be formulated on the basis of right and wrong, it cannot provoke discussion and precipitate action since the sense of justice is far keener than intellectual perception. George, through his newspaper experience, must have understood this well for he presented his panacea for social and economic ills with persuasiveness, charm, lucid style, and provided it with the sense of importance of a Messianic crusade.

Throughout his life George had struggled against poverty. Even as a boy he had seen and felt the poverty and misery caused by recurring depressions and had observed the increasing inequality in the distribution of wealth accompanying increased progress. Even in California, which was the newest part of this new country and where, if anywhere, there should be economic well-being, there were developing the same economic ills which had plagued other older areas. California and much of the West had fallen into the hands of private owners,
wealthy syndicates, and domineering railroads who specula-
tively held large tracts of land. Thus this land was with-
held from those who were willing and eager to use it, while
unemployment and poverty grew worse. To George this seemed a
socio-economic crime. Consequently he gave definiteness to
the feelings of discontent of the period by pointing out what
he believed to be the economic cause of advancing poverty
with advancing progress.

George believed that of the three factors of production—
land, labor, and capital—the reward to capital and labor in
the form of interest and wages was earned and justified, but
that the private appropriation of unearned economic rent was
robbery since the community creates land values. Accordingly
he urged the community appropriation of the full economic rent
of land and, since he believed this would be fiscally adequate
for governmental operations, the abolition of all other forms
of taxation. To this program his followers gave the name "The
1
Single Tax."

Based upon the principles of the social origin of ground
2
rent, the non-shiftability of a land tax and the ultimate bur-
denlessness of a land tax, the Single Tax proposed to abolish

1. The name "Single Tax" was used in a speech made by
Thomas G. Sherman, a distinguished New York lawyer, May 28,
1887. George and his followers adopted the name.

2. George, op. cit., Book VII, Ch. 1.
all taxation except on land values in order to improve the simplicity and equitability of the tax system. Industry would be aided, since production would be exempt from taxation. The socialization of land values through the community appropriation of economic rent, according to George, would promote greater accessibility to land with concurrent compatibility of individual ownership, thereby establishing greater equality of economic opportunity. He believed such equality of opportunity is impossible under a condition of land monopoly but would follow naturally with progress, without poverty, under the primary social-utility principle of "The Single Tax" association in equality.

Objections

The theoretical soundness of the Single Tax has been vigorously assailed. Many of the objections to it have been superficial, frivolous, or based upon misunderstanding; while others have been reasonable, important, and sound. The most frequently encountered objection to the Single Tax is that it has as its objective the taking of private property for public use without compensation. George anticipated this objection

1. George, op. cit., Book VI, Ch. 2.
2. Ibid., Book IX, Ch. 2.
3. Ibid., Book VII, Ch. 2.
4. Ibid., Book X, Ch. 3.
by contending that since land value is attributable to social progress, it is in justice social property. But taking by taxation all or nearly all of the rent of land while retaining private ownership, as George proposed, does not make land common property to any greater extent than the taxation of the yield of capital makes such capital common property. Even if it is contended that taxation of the yield of capital makes such capital, to the extent of the taxation, common property, then it is only with the abolition of all taxation on capital that it will be completely and solely owned by individuals.

George's proposal was to tax land and exempt everything else from taxation; this would tend, not toward, but rather away from the communistic and socialistic concept of common ownership and operation of capital facilities. Particularly objectionable to many was the fact that George proposed to introduce his reform without provision for the compensation of land owners. Yet those who are placed at a disadvantage by tax changes have never been compensated; it is without precedent. Moreover, if land value taxation were used, land owners would be compensated to the extent that they, as owners of capital (houses, buildings, etc.) would be freed from the burden of taxation on such capital since under the proposed system capital would not be taxed at all. By way of a reductio ad absurdum it might even be contended that since the cigarette tax discriminates against smokers, all those who learned to
smoke prior to and not anticipating the imposition of the tax, or prior to and not anticipating any increase in the tax, should be compensated. It is argued by some that land value taxation, even if its introduction is slow and beneficial to land owners and the common welfare, is an injustice since society has an implied pledge to protect vested interests by the maintenance of the status quo.

The implication of this objection is that society is estopped from making any changes in the socio-economic structure which might be in any way detrimental to any class or group, and that the existing structure must be maintained ad infinitum because of this implied pledge. It has been proposed at various times to abolish slavery, monopoly, tariff restrictions, and the private appropriation of land rent. Must society buy the right to abolish these institutions by compensating those who benefit by their existence, even though a vastly greater number would benefit by their abolition? If such compensation were to be made, from whom could it come except from those upon whom the abolished institution had a deleterious effect? In the past, the tax structure has changed without compensation to those adversely affected. Increased taxation has been imposed on vast numbers of commodities such as gasoline, cigarettes, alcoholic beverages, and even on amusements; but it has never been proposed to compensate the owner of a business for the financial loss he suffered through decreased consumption caused by the higher tax.
Another objection to the Single Tax is that it is based on the benefit theory of taxation which, some contend, is not as sound in fiscal principle as the ability-to-pay theory of taxation. Land value taxation, it is contended, would operate to the benefit of owners of capital such as buildings and also benefit the recipients of large incomes. Since both the ability and benefit theories of taxation are sound, the insistence on the use of one to the exclusion of the other is a poor fiscal policy.

Undoubtedly the past insistence on the singleness of the Single Tax has acted as a deterrent to its serious consideration. It might even be argued under the benefit theory that since buildings require government services of police and fire protection, they should be taxed and that land, which does not require these services, should be exempt from taxation. However, to a certain extent the value of land and building sites with police and fire protection is higher than without such protection; but the value of buildings is not higher and, since land benefits financially by these services, it should bear the financial burden of them.

The principal fiscal defect of the Single Tax is its

1. Davenport, op. cit., p. 1. Davenport is critical of the Single Tax on the basis of its resting on the benefit theory of taxation and its inelasticity. He takes the position that community appropriation of land rent by taxation should be deferred until the present land owners die.
absolute inelasticity. Every sound financial system must maintain an equilibrium between expenditure and receipts. Since government spending varies, particularly in times of emergency, it is essential that the amount of revenue and the sources from which it is to be obtained be elastic and flexible. Under a system of a single tax on the full economic rent of land there would be absolutely no elasticity or flexibility since only one source of revenue is used and that is yielding a fixed maximum. Moreover, since the Single Tax would cause revenue to flow automatically into the treasury, it might lessen the sense of political responsibility of the people and tend to diminish their active interest and participation in government. The singleness of the Single Tax would also preclude the use of taxation for purposes of governmental control. Freer international trade is surely desirable, but the sudden creation of free trade by the abolition of tariffs would cause violent readjustments in the economy. Similarly, the abolition of other taxation used for control of alcohol, narcotics, and various deleterious substances would create chaos.

One of the canons of taxation is universality. Unquestionably it is desirable that everyone should pay something toward the operation of governmental facilities, but the

1. Dove, op. cit., p. 16; Seligman, Essays in Taxation, p. 76.
Single Tax would tax only one group—land owners. Since the economy is no longer primarily agrarian, it would seem illogical to tax land values and the "unearned increment" of land while fully exempting the capital invested in securities and the "unearned increment" thereof.
CHAPTER III

PRACTICAL APPLICATIONS OF MODIFICATIONS
OF THE SINGLE TAX

The Housing Problem

One of our most basic problems is the construction of adequate housing. This problem affects everyone since its socio-economic ramifications permeate every phase of our national life. No other single project is more important in terms of social welfare and national well-being. Since the level of national income is dependent upon the level of investment and the propensity to consume, the maintenance and implementation of vigor in the key industry of construction, with an accompanying high level of investment, is of paramount importance to the national economy.

Provision of adequate housing and the maintenance of a vigorous construction industry can be seriously handicapped by a tax structure which places a great burden upon building and improvements or by very high land prices. High land prices, which reflect tax procedures, not only deter building but cause new business and industrial enterprises with a limited capital to cut their productive investment by the amount required for a suitable business site. A scientifically sound system of taxation is therefore the keystone of the solution to the problem.
Orderly municipal growth and advantageous use of community resources ultimately depend upon the use of municipal planning procedures. The means of implementing the objectives of planning, proper utilization of land resources, and raising needed revenues all exist in the real property tax.


3. The suburban communities of some metropolitan areas may be called "paradise dormitory cities" in that they rely on the "central city" for their economic life. The "central city" is forced to service the daily visitors who either work, shop or play there and who return to the city far less than is expected for their well-being. L.S. Lyon, "Economic Problems of American Cities," American Economic Review, 32:307, 309-310 (March 1946).

The number of services that cities have been forced to provide residents and visitors has steadily grown. "In 1824 Detroit gave its citizens twenty-four services. It now supplies about 400, including the traditional police and fire protection, public health, hospitals and education, along with such newer things as broadcasting stations and traffic controls." United States News, February 14, 1947, p. 20.
the community's main fiscal device.

Effective municipal taxation is a powerful means of offsetting decay and fostering proper community growth. If the taxation of real property can be used as an effective means of attaining the objectives of community planning such as slum abolition, minimization of land speculation, encouragement of new construction and improvements, and fostering orderly community growth, then we should examine the efficiency of the present system of community real property taxation with a view to improving it to attain the desired objectives.

Taxation of Real Property

The American system of real property taxation has produced results that are diametrically opposed to the best and most efficient use of land. It has led to waste, dispersion of business and population from cities, and deterioration of

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1. Because of fiscal inadequacy of property tax revenue in view of the rising cost of government, many cities have resorted to taxes on business licenses, amusements, cigarettes, gasoline, utilities, transportation, garbage and refuse collection, sewerage services, parking, and sales. For a list of new taxes and cities that have introduced them see Research Division, New Sources of Municipal Revenues (Washington: Natl. Education Assn. of the U.S., March 1946); Albert M. Hillhouse and Muriel Magelssen, Where Cities Get their Money (Chicago: Municipal Finance Officers Assn., 1945). The property tax yielded $4,444 million to local governments out of total tax yield of $4,800 million in 1941. Tax Yields (Philadelphia: Tax Institute, 1941), p. 27.
urban capital facilities and services. The taxation of real property has become increasingly heavy with the gradual exemption of personal property in many states. Land prices are kept at a high level because taxes are levied at a high rate. 

1. "The dispersive developments of recent years have left blighted vacuums in the interiors of our cities and have, themselves, been vitiated by land prices at a level too high to permit a desirable standard of urban development." Urbanism Committee of the Natl. Resources Committee, op. cit., p. 59.

2. Real estate has been burdened with the need of supplying adequate revenues due to the reliance of municipalities upon property taxation and the preemption of other sources of revenue by state and federal governments. The ratio of personal property to total property assessments in New York rose from 18.93% in 1840 to 25.5% in 1866 but declined thereafter to 1.17% in 1932. Report (Albany: New York State Tax Commission, 1937), p. 149; Edwin R.A. Seligman, Principles of Economics (New York: Longmans Green and Co., 1905), pp. 270-273.


For a detailed analysis of the general property tax, see Seligman, Essays in Taxation, p. 61.

4. Since a tax on land is capitalized at the prevailing interest rate, it is deducted from the selling price. On the other hand, a tax on buildings is reflected in higher rentals and ultimately borne by the tenant. Thus the higher the tax on land, the lower its selling price; and conversely, the more tax levied on buildings, the higher will be the price of land.

upon the assessment value of both land and improvements as a unit.

1. The regressiveness of the tax and computation of assessments in direct proportion to the degree of land improvement act to benefit the owner of slums and to deter the development and improvement of land. Under a tax structure wherein it is economically advantageous to hold land and await a rise in its value, speculation is fostered, land is prematurely subdivided, and community growth is disorderly and haphazard, which results in builders seeking land farther and farther from the city, thereby causing excessive capital expenditures for the extension of community facilities to outlying districts.

Assessments, which are theoretical reflections of "market value" or "just valuation," have created inequality of


2. The present real estate tax is upon both land and improvements; the more improvements, the greater the tax.

3. "In a growing city, land values tend normally to rise and outlying sections, which give promise of early development, are snapped up by speculators, sometimes to be held for many years. Beyond this belt lies a remote section which shows little speculative advance, and to it many must resort to procure homes within their means. Thus we have a congested core, with prices correspondingly inflated, surrounded by a speculative zone where little or no development is taking place. Beyond that belt there is a semi-suburban tract, fast being taken up, but in the intermediate area, neglected and deserted. Everything is held up pending the realization of speculative hopes, and though these are often doomed to disappointment, the harm is done." Gilbert M. Tucker, Jr., The Self-Supporting City (New York: Robert Schalkenbach Foundation, 1946), p. 35.

tax burden due to poorly paid, ill equipped, inexperienced, elected assessors. In larger cities such crude practices as recopying assessment rolls from year to year are giving way to more scientific techniques under application of trained personnel. Although land value maps and systems of unit valuations for land and buildings have been used, and public inspection of assessment rolls provided for, many localities continue to operate under the inefficient and inequitable procedures which typify the present system.

The efficacy of the present system is questionable in view of the tendency for assessment ratios to decline as property value increases, the inequality among average assessment

3. "The greater portion of the 248 largest cities of the country have made some progress toward the installation of technical assessing systems, although a considerable proportion of them do not use the most approved methods as yet. The least progress in this group has been made in the cities with smaller populations, the most progress in the larger cities." Silverherz, op. cit., p. 280.
4. These maps presuppose the existence of detailed and complete tax maps of the entire municipal area in which each block and lot is drawn to scale and numbered, and the length in feet of any line bounding a lot, street widths, water courses or other unusual topographical features appear. Silverherz, op. cit., pp. 259-260.
and the possibility of complete escape from tax rolls. Although equalization has been an attempt to rectify some of the inequalities in the present system, it would seem fallacious to remedy, rather than prevent, inequitable assessments. Classification of property into various groups for the imposition of differential rates would aid the task of assessment, but would not in itself be a cure for poor assessment techniques.

Land Value Taxation

Land value taxation operates on the theory that the tax deterrent to building, improvements, and the use of land should be removed and that a heavier burden of taxes should fall on those who choose to hold land without using it.

1. The "average assessment ratio" represents the percentage relationship of assessment to actual value. For a discussion of this problem and the inequality of the average assessment ratio between urban and rural land, see National Resources Planning Board, Tax Delinquency and Rural Land Use Adjustment (Washington: Govt. Printing Office, 1942), p. 8.

2. Tax maps made by aerial photography have revealed many properties completely escaping taxation.


4. "Gambling in land values has contributed to alternate booms and depressions, raising false hopes, encouraging over-ambitious structures, wiping out private investors and, all in all, has been one of the major tragedies of American urban life. State and local authorities should consider the reduction of the rate of taxation on buildings and the corresponding increase of such rates on land, in order to lower the tax burden on home-owners and the occupants of low-rent houses, and to stimulate rehabilitation of blighted areas and slums." Urbanism Committee, op. cit., pp. 59, 76.
The nature of the income from land and the changes that will follow a differential tax burden on the owners of land and the owners of improvements provide the basis for this tax. Due to the peculiar position of land in relation to other capital resources, a tax on land cannot ordinarily be transferred from the owner to the tenant. In spite of taxes, the owner of land will lease it for the maximum price possible.


3. "The owner who leases his land will always endeavor to get as much as possible for it. The price he gets will, in general, be unaffected by the imposition of a tax. For since the supply cannot be increased and since there is no question of cost of production, the change in price will be affected only through a change in demand. Now if the demand for the site increases to such an extent that the ground rent not only covers the new tax, but leaves a profit in addition, the tax cannot be shifted to the lessee. For the price would have been the same without the tax, since the demand of the lessees is not affected by a tax on the lessor. The ground owner will simply get less net return than he would have obtained had no tax been imposed—that is, the tax will fall on him. In the same way, if the demand for the site decreases, the price will diminish and the ground owner can certainly not shift the tax. Finally, if the demand remains the same, there will be no alteration of the price and the ground owner will obtain less net income than before because of the tax. Therefore, it may be laid down as a general rule that a tax laid on the owner of a site, or on ground rents, cannot be shifted." Seligman, The Shifting and Incidence of Taxation, pp. 281-282.

Also see Brown, op. cit., p. 378.
The subsequent owner will take this land free from taxes, if the tax seems reasonably permanent, through the principle of capitalization. Thus the price of land will decrease by the imposition of taxes.

On the other hand, taxes on buildings will be borne by the tenants since owners expect to realize the current

1. If the amount and permanency of the tax can be reasonably anticipated, the purchaser will deduct its capitalized value from the selling price of the land since he will not pay more for the property than its capitalized net rental. Edwin R.A. Seligman, "Tax Exemption through Tax Capitalization," American Economic Review, 6:790, 801-802 (December 1916).

2. If A represents annual net income before taxes
I " the current rate of interest
C " capital value
R " the tax rate expressed as a percentage of C

Then \[ C = \frac{A}{I+R} \] The formula to compute capitalized value of land after taxes:

When \( A = \$1,000; \ I = 5\%; \) and \( R = 1\%, 5\%, \) and \( 50\%: \)

If \( R = 1\%, \) then \( C = \frac{$1,000}{.05+.01} = $16,666.67 \)

If \( R = 5\%, \) then \( C = \frac{$1,000}{.05+.05} = $10,000.00 \)

If \( R = 50\%, \) then \( C = \frac{$1,000}{.05+.50} = $1,818.18 \)

Seligman prefers using the word "amortization" rather than "capitalization" when the value of a commodity diminishes. Seligman, The Shifting and Incidence of Taxation, p. 222.

interest rate on their investments and otherwise will cease building. Since investment incentives are determined by profit expectations, which will determine the amount of capital utilized on land, and profits are dependent on taxes, taxes assume a prime importance in investment incentives. So long as the return or expected future return exceeds the tax, the owner will hold and use his land. Buildings and other improvements will be used or rented as long as the return covers costs or operating losses are less than abandonment losses. In the event the return does not cover fixed charges, there will be no incentive for building or improving. Existing buildings will not be maintained but may be used during the period of capital decay and then abandoned. Thus any reduction of the profit expectation of new construction by taxation will eventually result in a shortage of housing and a gradual increase of rents until the point is reached wherein the profit expectation becomes sufficiently high to attract capital to building. However, building can be stimulated by a differential tax on buildings and land. Where land value taxation is being used, the lessening or elimination of the tax on buildings and improvements has encouraged new housing and improvements, discouraged speculation, aided in the abolition of slums, reduced land prices, brought idle land into

2. Ibid., pp. 414-415.
use, and stimulated the construction industry, with consequent benefits to the whole economy through the effect of the investment multiplier from the stimulation of investment in this key industry.

**Land Value Taxation in Australia**

Since 1906 a movement has grown in Australia to levy taxes on the unimproved value of land. This movement began with the election of J.H. Carruthers as Premier of New South Wales. His election resulted in the passage of the Local Government Act of 1906 which gave new communities the right to put ratings on the unimproved or site value of land. This movement has continued to grow until today over 90 per cent of the whole area under local government operates on the basis of land value taxation. The whole of Queensland, New South Wales, and the Road Districts of Western Australia in addition to twenty local government areas in South Australia and fourteen in Victoria operate under land value taxation. Only Victoria, Tasmania, and parts of South Australia operate under the "assessed annual value" system of taxing land and improvements together.

The results which have been noted in recent studies

1. "Rates" and "rating" are British terms for local property taxation.

would seem to indicate the beneficial effects of land value taxation as an instrument for both fiscal and social good, and to indicate the advisability of its extension to areas presently operating under other methods of taxation. The results have shown that the revenue realized under land value taxation is greater than that which has been realized under other taxation methods in operation, and that the burdens placed on the respective tax payers are less. In the Melbourne districts taxing land values, in Portland Borough and in other boroughs taxing land values the percentage increase of tax per tax payer in relation to the percentage increase in the yield of local taxation has been less than in those areas taxing annual values, the annual rental value of land and improvements taken together. (See Table I, page 39.)

At the present time, all the Australian states tax land values to some degree, there being a wide variation among the states. This taxation may take the form of: land rents (Crown) for leases of public lands; land taxes (state); and local government taxes (rates) on land values. Local government taxes are the most important since Crown land rentals are paid only on certain properties, as is true of state land taxes which are paid only on land above a certain value. Unlike the other taxes, local government taxes are imposed on all

1. The use of the system is continually being extended, having been introduced into Hamilton Victoria in 1944. Town of Hamilton Rating Studies No. 2 (Melbourne: Land Value Research Group, 1945).
TABLE 1

REGIONAL COMPARISON OF TAX REVENUES AND RATE PER TAX PAYER

<table>
<thead>
<tr>
<th>Region compared</th>
<th>Percentage increase in Rate yield 1921-1940</th>
<th>Rate (average) per tax payer 1921-1940</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rating land value:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9 Melbourne districts</td>
<td>130</td>
<td>19</td>
</tr>
<tr>
<td>Portland Borough</td>
<td>85</td>
<td>15</td>
</tr>
<tr>
<td>Rating annual value:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>17 Melbourne districts</td>
<td>108</td>
<td>37</td>
</tr>
<tr>
<td>11 Neighboring districts</td>
<td>36</td>
<td>22</td>
</tr>
<tr>
<td>16 Other boroughs</td>
<td>51</td>
<td>33</td>
</tr>
</tbody>
</table>

real property and hence affect all land in the area. The local government taxes therefore have the widest socio-economic ramifications. Land value taxation in Queensland takes over half the ground rent (54.5 per cent), in New South Wales about a third (29.8 per cent), and in western Australia about a sixth (16.6 per cent). In South Australia and Victoria the proportion is low since in these states land value taxation is confined to a few districts, while it is not used at all in Tasmania. (See Table II, page 40.)

Here, then, in the same country are two groups of states, one using land value taxation generally, the other using it to

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TABLE II

WEIGHT OF PUBLIC CHARGES ON LAND VALUES

<table>
<thead>
<tr>
<th>State</th>
<th>Reduction in land prices due to public charges imposed on land value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Group A: General land value taxation</td>
<td></td>
</tr>
<tr>
<td>Queensland</td>
<td>54.5%</td>
</tr>
<tr>
<td>New South Wales</td>
<td>29.8</td>
</tr>
<tr>
<td>Western Australia</td>
<td>16.6</td>
</tr>
<tr>
<td>Group B: Partial land value taxation</td>
<td></td>
</tr>
<tr>
<td>South Australia</td>
<td>14.4%</td>
</tr>
<tr>
<td>Victoria</td>
<td>8.8</td>
</tr>
<tr>
<td>Tasmania</td>
<td>7.6</td>
</tr>
</tbody>
</table>

a comparatively limited extent. In the states using land value taxation there has been apparent satisfaction with the system, and no attempt has been made to revert to the old system of taxing both land and improvements. In the remaining states, efforts are constantly being made to extend land value taxation.

While it may be questioned whether these two groups are sufficiently similar to attribute all the differences in

prosperity to the difference in taxation, they are sufficiently similar, the data sufficiently constant, and the possibility of sheer coincidence sufficiently remote to warrant a careful comparison of the two groups. A comparison of the key indicators of prosperity and development shows that not only is the land value taxing group more prosperous and more fully developed, but that this prosperity and development are in direct proportion to the degree of land value taxation. Queensland, the state which taxes over half the ground rent, is by far the more prosperous and developed.

In agricultural development, the acreage increase and production follow the degree of land value taxation. In spite of lower world prices, Queensland and New South Wales have extended their production of wheat to such a degree as to cause the other group to curtail production. (See Table III, page 42.)

Since building construction is a key industry whose activity is reflected in a multitude of dependent industries, the increase in the number of dwellings in any area is a significant indicator of its progress and prosperity. By using an inter-group comparison of the number of dwellings constructed in relation to the number of marriages rather than an inter-group comparison of the number of dwellings constructed in relation to the increase of population, the problem
### TABLE III

**AGRICULTURAL DEVELOPMENT**

<table>
<thead>
<tr>
<th>State</th>
<th>Acreage increase 1929-1939</th>
<th>Percentage increase 1929-1939</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Area Under All Crops</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land value taxing group:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Queensland</td>
<td>688,554</td>
<td>65.8</td>
</tr>
<tr>
<td>New South Wales</td>
<td>1,548,411</td>
<td>22.0</td>
</tr>
<tr>
<td>Western Australia</td>
<td>153,253</td>
<td>3.4</td>
</tr>
<tr>
<td>Average</td>
<td></td>
<td>21.5</td>
</tr>
<tr>
<td>Annual value taxing group:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Australia</td>
<td>-242,826</td>
<td>-4.9</td>
</tr>
<tr>
<td>Victoria</td>
<td>-559,959</td>
<td>-10.0</td>
</tr>
<tr>
<td>Tasmania</td>
<td>-22,269</td>
<td>-8.4</td>
</tr>
<tr>
<td>Average</td>
<td></td>
<td>-7.6</td>
</tr>
<tr>
<td><strong>Area Under Wheat for Grain</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land value taxing group:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Queensland</td>
<td>237,901</td>
<td>117.0</td>
</tr>
<tr>
<td>New South Wales</td>
<td>676,808</td>
<td>17.0</td>
</tr>
<tr>
<td>Western Australia</td>
<td>-155,407</td>
<td>-4.4</td>
</tr>
<tr>
<td>Average</td>
<td></td>
<td>9.9</td>
</tr>
<tr>
<td>Annual value taxing group:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Australia</td>
<td>-565,363</td>
<td>-15.5</td>
</tr>
<tr>
<td>Victoria</td>
<td>-817,773</td>
<td>-22.8</td>
</tr>
<tr>
<td>Tasmania</td>
<td>- 6,956</td>
<td>-41.5</td>
</tr>
<tr>
<td>Average</td>
<td></td>
<td>-19.2</td>
</tr>
</tbody>
</table>

1. *Public Charges upon Land Values*, p. 4.
TABLE IV

DWELLING CONSTRUCTION AND MARRIAGES

<table>
<thead>
<tr>
<th>State</th>
<th>Total dwellings increase 1921-1933</th>
<th>Total marriages 1921-1933</th>
<th>Dwellings built per 100 marriages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land value taxing group;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Queensland</td>
<td>58,501</td>
<td>80,692</td>
<td>72.3</td>
</tr>
<tr>
<td>New South Wales</td>
<td>174,914</td>
<td>237,639</td>
<td>73.6</td>
</tr>
<tr>
<td>West Australia</td>
<td>30,756</td>
<td>37,671</td>
<td>81.5</td>
</tr>
<tr>
<td>Group figures</td>
<td>264,171</td>
<td>356,002</td>
<td>74.0</td>
</tr>
<tr>
<td>Annual value rating group:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Australia</td>
<td>31,768</td>
<td>52,311</td>
<td>60.5</td>
</tr>
<tr>
<td>Victoria</td>
<td>104,092</td>
<td>165,833</td>
<td>62.6</td>
</tr>
<tr>
<td>Tasmania</td>
<td>5,987</td>
<td>20,050</td>
<td>29.7</td>
</tr>
<tr>
<td>Group figures</td>
<td>114,847</td>
<td>238,194</td>
<td>59.3</td>
</tr>
</tbody>
</table>

of age composition of the increase of population is eliminated. Generally, marriages are a measure of the demand for housing and the relation of the building of new dwellings to the number of marriages is an indication of the extent of satisfaction of this demand. In the land value taxing group, the level of new construction is 25 per cent greater than in the annual value taxing group, and the construction per 100

1. Public Charges upon Land Values, p. 6.

2. If the increase is of infants, fewer new homes naturally would be required than if the increase is of adults.
marriages is greater in all the states in the land value taxing group than in any state in the annual value taxing group.

Of the individual states, Tasmania had the lowest ratio of dwellings constructed per 100 marriages (29.7), but it must be remembered that none of the districts in this state use land value taxation. Of even greater significance is the fact that in South Australia and Victoria, which have some districts taxing land values, it was the land value taxing districts which caused a better ratio than Tasmania. In Victoria, for instance, only 16 per cent of the state's population resided in the fourteen districts taxing land values but these districts accounted for 46 per cent of the total increase in dwellings. In the Melbourne area a survey conducted by the Land Values Research Group showed that in the twenty-year period from 1921-1940, 2.12 times as many homes were built in the municipalities taxing land values as were built in those municipalities taxing annual values.

The survey also indicated that if the annual value taxing municipalities which corresponded in type and distance from Melbourne had been taxing land values and experiencing the same activity in residential construction as the land value taxing municipalities, there would have been built in these districts 46,700 additional homes. Some of this calculated increase in building would not actually materialize, since it is reasonable to assume that some of the building in the land value taxing areas was attracted there at the
expense of the annual value taxing areas and that, had both areas been taxing land values, the aggregate of new construction might have increased by somewhat less than these aggregate comparative calculations. Nevertheless, it is obvious that under land value taxation, building was stimulated with the consequent increase in building trades employment, greater demand for building material, and better living conditions for all classes resulting from lower rents and less housing pressure.

Added to the construction of new homes, the degree of improvement of holdings and total asset value increased considerably in the land value taxing areas over improvements made on land in the annual value taxing areas. This stimulation of improvements followed naturally from the removal of taxes on improvements. In 1939-1940 the ratio of the value of improvements to unimproved land values was 151 per cent in the land value taxing states and only 79 per cent in the annual value taxing states. In the land value taxing group, the value of the improvements is greater than the value of the land on which they stand, whereas in the annual value taxing group the value of the land is greater than the value of improvements. This is true for the individual states within

TABLE VI
DEGREE OF IMPROVEMENT OF HOLDINGS

<table>
<thead>
<tr>
<th>State</th>
<th>Weight of public charges as proportion of ground rent</th>
<th>Ratio of the value of improvements as percentage of unimproved land value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Town</td>
<td>Country</td>
</tr>
<tr>
<td>Land value taxing group:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Queensland</td>
<td>54.5%</td>
<td>224</td>
</tr>
<tr>
<td>New South Wales</td>
<td>29.8</td>
<td>128</td>
</tr>
<tr>
<td>West Australia</td>
<td>16.6</td>
<td>127</td>
</tr>
<tr>
<td>Group average</td>
<td>40.6</td>
<td>160</td>
</tr>
<tr>
<td>Annual value taxing group:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Australia</td>
<td>14.4%</td>
<td>94</td>
</tr>
<tr>
<td>Victoria</td>
<td>8.8</td>
<td>87</td>
</tr>
<tr>
<td>Tasmania</td>
<td>7.6</td>
<td>117</td>
</tr>
<tr>
<td>Group average</td>
<td>9.6</td>
<td>99</td>
</tr>
</tbody>
</table>

the groups, as well as for the groups as a whole.

The ratio of improvements to the unimproved value of land is greatest in Queensland, which taxes land values the highest. Although the unimproved land value per land tax payer is about equal in the two groups, the value of improvements per land tax payer is over twice as great in the land

1. Public Charges upon Land Values, p. 9.
TABLE VI
VALUE OF IMPROVEMENTS AND LAND VALUES
1939-1940

<table>
<thead>
<tr>
<th>State</th>
<th>Improvement value</th>
<th>Unimproved land value</th>
<th>Total assets value per land tax payer</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Land value taxing group:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Queensland</td>
<td>22,610</td>
<td>11,400</td>
<td>34,010</td>
</tr>
<tr>
<td>New South Wales</td>
<td>16,400</td>
<td>13,300</td>
<td>29,700</td>
</tr>
<tr>
<td>West Australia</td>
<td>13,010</td>
<td>10,020</td>
<td>23,030</td>
</tr>
<tr>
<td>Group average</td>
<td>17,340</td>
<td>11,573</td>
<td>28,913</td>
</tr>
<tr>
<td><strong>Annual value taxing group:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Australia</td>
<td>7,800</td>
<td>10,450</td>
<td>18,250</td>
</tr>
<tr>
<td>Victoria</td>
<td>10,010</td>
<td>12,700</td>
<td>22,710</td>
</tr>
<tr>
<td>Tasmania</td>
<td>8,050</td>
<td>9,600</td>
<td>17,650</td>
</tr>
<tr>
<td>Group average</td>
<td>8,520</td>
<td>10,917</td>
<td>19,537</td>
</tr>
</tbody>
</table>

Value of improvements is over twice as great as the average in the annual value taxing group. In Queensland the value of improvements is over twice as great as the average in the annual value taxing group. Migration has been greater in the land value taxing group and may be interpreted as an indication that new citizens believe life in this group will be more prosperous and opportune.

1. Public Charges upon Land Values, p. 10.
### TABLE VII

**MIGRATION**

<table>
<thead>
<tr>
<th>State</th>
<th>Increase by net migration 1929-1938</th>
<th>New migration increase per 1,000 of 1929 population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Queensland</td>
<td>14,840</td>
<td>16.5</td>
</tr>
<tr>
<td>New South Wales</td>
<td>16,435</td>
<td>6.5</td>
</tr>
<tr>
<td>Western Australia</td>
<td>2,165</td>
<td>6.0</td>
</tr>
<tr>
<td><strong>Group average</strong></td>
<td></td>
<td>8.8</td>
</tr>
<tr>
<td>Annual value taxing group:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Australia</td>
<td>-16,807</td>
<td>-29.1</td>
</tr>
<tr>
<td>Victoria</td>
<td>-5,624</td>
<td>-3.1</td>
</tr>
<tr>
<td>Tasmania</td>
<td>-3,463</td>
<td>-15.5</td>
</tr>
<tr>
<td><strong>Group average</strong></td>
<td></td>
<td>-10.0</td>
</tr>
</tbody>
</table>

One of the most important effects of land value taxation has been its effect on land values and the curbing of speculation in land. Queensland, which taxes land values heavily, has had a decrease in land value. New South Wales and Western Australia, where land value taxation is not so heavy as in Queensland, have had some increase; but in Victoria and South Australia, which tax on the annual value basis, land speculation has led to large increases in land values.

1. *Public Charges upon Land Values*, p. 16.
### TABLE VIII

**TREND IN LAND VALUES 1901-1937**

<table>
<thead>
<tr>
<th>State</th>
<th>Unimproved land value in £ per head of state population</th>
<th>Percent increase 1901-1937</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1901</td>
<td>1937</td>
</tr>
<tr>
<td>Land value taxing group:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Queensland</td>
<td>87</td>
<td>72.5</td>
</tr>
<tr>
<td>New South Wales</td>
<td>104</td>
<td>116</td>
</tr>
<tr>
<td>West Australia</td>
<td>93</td>
<td>104</td>
</tr>
<tr>
<td>Annual value taxing group:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Australia</td>
<td>93.5</td>
<td>135</td>
</tr>
<tr>
<td>Victoria</td>
<td>93</td>
<td>166</td>
</tr>
<tr>
<td>Tasmania</td>
<td>93.5</td>
<td>98</td>
</tr>
</tbody>
</table>

The land values in Tasmania increased only slightly, due to a shrinking of population and consequent decrease in the demand for land.

In the states taxing land values there has been a stimulated development of holdings, an increase in the value of the assets of land owners, and greater actual incomes. A 13 percent greater income (£ per tax payer) was attained by the land value taxing group tax payers than by the annual value taxing group taxpayers (Table IX). This difference was attained in the land value taxing group where there is greater

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1. Public Charges upon Land Values, p. 17.
### TABLE IX

**INCOME OF PROPERTY-OWNING TAX PAYERS**

(Over £250 per yr.)

<table>
<thead>
<tr>
<th>State</th>
<th>Property only</th>
<th>Both property and personal exertion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land value taxing group:</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>Queensland</td>
<td>643</td>
<td>810</td>
</tr>
<tr>
<td>New South Wales</td>
<td>785</td>
<td>750</td>
</tr>
<tr>
<td>West Australia</td>
<td>635</td>
<td>840</td>
</tr>
<tr>
<td>Group average</td>
<td>688</td>
<td>800</td>
</tr>
<tr>
<td>Annual value taxing group:</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>South Australia</td>
<td>755</td>
<td>685</td>
</tr>
<tr>
<td>Victoria</td>
<td>700</td>
<td>755</td>
</tr>
<tr>
<td>Tasmania</td>
<td>600</td>
<td>688</td>
</tr>
<tr>
<td>Group average</td>
<td>685</td>
<td>709</td>
</tr>
</tbody>
</table>

Investment in improvements and income derivation is from land usage rather than speculation.

The incomes of workers are also higher in the land value taxing group (Table X). The proportion of the adult population receiving these incomes is 40 per cent greater in the land value taxing group, which indicates better income distribution in this group. The wages of factory workers, both real and nominal, are higher in the land value taxing group. This

### Table X

**INCOMES OF NON-PROPERTY OWNING TAX PAYERS**
(Over £250 per yr.)

<table>
<thead>
<tr>
<th>State</th>
<th>Income per tax payer from personal exertion only</th>
<th>Percentage of tax payers in total adult population</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Land value taxing group:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Queensland</td>
<td>385</td>
<td>7.40</td>
</tr>
<tr>
<td>New South Wales</td>
<td>359</td>
<td>6.35</td>
</tr>
<tr>
<td>West Australia</td>
<td>347</td>
<td>7.95</td>
</tr>
<tr>
<td>Group average</td>
<td>355</td>
<td>7.23</td>
</tr>
<tr>
<td><strong>Annual value rating group:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Australia</td>
<td>347</td>
<td>3.95</td>
</tr>
<tr>
<td>Victoria</td>
<td>350</td>
<td>6.30</td>
</tr>
<tr>
<td>Tasmania</td>
<td>351</td>
<td>5.35</td>
</tr>
<tr>
<td>Group average</td>
<td>349</td>
<td>5.20</td>
</tr>
</tbody>
</table>

difference between the two groups is about 9 per cent. Victoria with its tariff-protected industries and diversified factories rates low in comparison with the states in the land value taxing group. Thus all classes in the land value taxing states have higher incomes than in the annual value taxing states as a result of the exemption of improvements from taxation and the consequent induced prosperity from greater employment and a higher level of investment.

TABLE XI

NOMINAL AND REAL WAGES OF FACTORY WORKERS

<table>
<thead>
<tr>
<th>State</th>
<th>Average wage per adult male in factories 1938-1939</th>
<th>Real wage index no. in 1939 (1911 = 1000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land value taxing group:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Queensland</td>
<td>238.60</td>
<td>1306</td>
</tr>
<tr>
<td>New South Wales</td>
<td>229.24</td>
<td>1207</td>
</tr>
<tr>
<td>West Australia</td>
<td>235.49</td>
<td>1308</td>
</tr>
<tr>
<td>Group average</td>
<td>237</td>
<td>1274</td>
</tr>
<tr>
<td>Annual value taxing group:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Australia</td>
<td>220.95</td>
<td>1147</td>
</tr>
<tr>
<td>Victoria</td>
<td>224.47</td>
<td>1180</td>
</tr>
<tr>
<td>Tasmania</td>
<td>212.09</td>
<td>1153</td>
</tr>
<tr>
<td>Group average</td>
<td>219</td>
<td>1160</td>
</tr>
</tbody>
</table>

One of the frequently advanced arguments against land value taxation has been that, since it causes lower land values, it would discourage investment in mortgages upon real property and have a deleterious effect upon insurance companies, banks and investment organizations which invest large sums upon the security of mortgages. Actually, Australian experience has shown that there is no reluctance to invest in mortgages upon property in land value taxing states. This has

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1. Public Charges upon Land Values, p. 15.
### TABLE XII

**INCREASE IN MORTGAGE ASSETS**

<table>
<thead>
<tr>
<th>State</th>
<th>Total 1908</th>
<th>Increase in landed assets 1908-1938</th>
<th>Increase as percentage of 1908 total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Land value taxing group:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Queensland</td>
<td>353,111</td>
<td>1,471,443</td>
<td>417</td>
</tr>
<tr>
<td>New South Wales</td>
<td>908,076</td>
<td>5,542,081</td>
<td>610</td>
</tr>
<tr>
<td>West Australia</td>
<td>112,467</td>
<td>1,231,785</td>
<td>100</td>
</tr>
<tr>
<td>Group total &amp; average</td>
<td>1,363,654</td>
<td>8,245,309</td>
<td>605</td>
</tr>
<tr>
<td><strong>Annual value taxing group:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Australia</td>
<td>294,211</td>
<td>402,022</td>
<td>134</td>
</tr>
<tr>
<td>Victoria</td>
<td>2,563,453</td>
<td>3,132,283</td>
<td>123</td>
</tr>
<tr>
<td>Tasmania</td>
<td>285,074*</td>
<td>284,754</td>
<td>100</td>
</tr>
<tr>
<td>Group total &amp; average</td>
<td>3,142,738</td>
<td>3,819,059</td>
<td>122</td>
</tr>
</tbody>
</table>

*1909 figure; 1908 not available.

been due to the fact that in land value taxing states, improvements have been stimulated to a much greater degree than the decrease in land value and mortgages are upon the complete property, land and improvements.

As might be expected, the stimulation of land improvements and the key industry of building construction has had a significant effect upon manufacturing in the land value taxing states. Stimulated building construction has increased the

---

1. Public Charges upon Land Values, p. 19.
TABLE XIII

VALUE OF PLANT AND MACHINERY IN FACTORIES

<table>
<thead>
<tr>
<th>State</th>
<th>Value 1929-1930 £</th>
<th>Increase to 1938-1939 £</th>
<th>Percentage increase 1929-1939 %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Land value taxing group:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Queensland</td>
<td>15,723,983</td>
<td>2,371,432</td>
<td>15.2</td>
</tr>
<tr>
<td>New South Wales</td>
<td>53,515,368</td>
<td>9,177,588</td>
<td>17.0</td>
</tr>
<tr>
<td>West Australia</td>
<td>6,112,186</td>
<td>1,982,878</td>
<td>32.4</td>
</tr>
<tr>
<td>Group figures</td>
<td>75,351,537</td>
<td>13,531,898</td>
<td>18.0</td>
</tr>
<tr>
<td><strong>Annual value taxing group:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Australia</td>
<td>10,286,679</td>
<td>-536,995</td>
<td>-5.2</td>
</tr>
<tr>
<td>Victoria</td>
<td>35,022,535</td>
<td>3,604,208</td>
<td>10.3</td>
</tr>
<tr>
<td>Tasmania</td>
<td>6,966,945</td>
<td>-564,675</td>
<td>-8.2</td>
</tr>
<tr>
<td>Group figures</td>
<td>52,276,159</td>
<td>2,502,538</td>
<td>4.8</td>
</tr>
</tbody>
</table>

Demand for manufactures, which has led to an increase in investment in existing factories and the establishment of new factories.

Low land prices due to land value taxation have facilitated plant expansion, since less capital is needed for land and may thus be used for actual plant investment. Investment in the land value taxing group has been 3 3/4 times the rate of investment in the annual value taxing group.

Lower land prices in the land value taxing states have also led to a large increase in the number of small businesses,

1. Launceston Rating Survey, pp. 6-7.
due to the fact that less initial capital is required for a suitable business site. Land value taxation, by lowering the cost of land and stimulating improvements and building construction, has raised the level of investment and stimulated business. The effects of this higher level of investment, through the operation of the investment multiplier, have permeated the entire economy of the land value taxing states with progress and prosperity.

1. Launceston Rating Survey, pp. 6-7.
### TABLE XV

**COMPARATIVE DAIRYING COSTS**

<table>
<thead>
<tr>
<th>Item compared</th>
<th>Victoria</th>
<th>Queensland</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of farms averaged</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>Average area in acres</td>
<td>183</td>
<td>463</td>
</tr>
<tr>
<td>Average dairy herd, cows</td>
<td>48</td>
<td>52</td>
</tr>
<tr>
<td>Cost of livestock</td>
<td>£ 553</td>
<td>£ 632</td>
</tr>
<tr>
<td>Cost, implements &amp; machinery</td>
<td>£ 631</td>
<td>£ 729</td>
</tr>
<tr>
<td>Land, dwellings &amp; fittings</td>
<td>£3,953</td>
<td>£3,598</td>
</tr>
<tr>
<td>&quot; per cow</td>
<td>£ 83</td>
<td>£ 69</td>
</tr>
<tr>
<td>Dwellings &amp; fittings (est.)</td>
<td>£ 500</td>
<td>£ 500</td>
</tr>
<tr>
<td>Cost of land alone</td>
<td>£3,483</td>
<td>£3,098</td>
</tr>
<tr>
<td>Land price per acre</td>
<td>£ 19</td>
<td>£ 6.14</td>
</tr>
<tr>
<td>Difference in price of land</td>
<td>£ 14</td>
<td></td>
</tr>
<tr>
<td>expressed per cow</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Farmers in the land value taxing states have generally benefited from the reduction in land cost. Less capital outlay has enabled them to acquire larger farms and to incur less mortgage interest burden. The Victorian with a herd of forty-eight cows and a capital outlay of fourteen pounds per cow above the capital outlay required in Queensland must invest £672 more than a Queenslander for a comparable herd. This difference in outlay will enable the Queenslander to buy a farm 2 1/2 times the area. The greater farm area acquirable

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1. Public Charges upon Land Values, p. 28. This survey was done by a committee of dairymen to inquire into dairy industry conditions in Victoria and Queensland.
per capita outlay increases the area of the farms in the land value taxing states; renders the farmers freer from hand feeding with a consequent reduction in costs, and ultimately means a saving to the consumer.

In Australia land value taxation has withstood the test of time. All Australian states, except Tasmania and many municipalities, have adopted it in varying degrees. The principle of land value taxation has apparently worked well since the system has been extended and not contracted. Only in three districts in Victoria and in South Australia have reversion polls been held. In every case these resulted in the retention of land value taxation by much greater majorities than the original polls which placed it in effect.

Sidney is the second largest city in the British Commonwealth (population 1,300,000); it derives all its revenue from land value taxation. The system has improved housing, eliminated slums, brought idle land into use, and stimulated building and improvements.

Nowhere in Australia is the tax sufficient to eliminate completely land speculation or to collect the full economic rent of the land. The main benefits which have resulted have been the lowering of land prices, the bringing of idle land

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into use, and the fostering of building and improvements. The increased investment in this key industry has had an apparent stimulative effect on the whole economy through the operation of the investment multiplier.

**Land Value Taxation in Africa**

Land value taxation is the exclusive source of revenue for Johannesburg (the largest city), ten other towns, seven villages, and most of the twenty areas governed by health committees, and provides most of the revenue for the remainder of the Union of South Africa including Pretoria, the capital. For thirty years the improvements in Johannesburg have been completely tax free. There the aggregate site value is £90,658,700; the aggregate value of land and buildings is £202,792,900, and the value of tax free improvements £112,188,400.

At 5 per cent the site value assessment, which is the selling price of the land alone, represents an annual land value (annual rental value) of £4,542,000 which is left in private possession after payment of £2,792,000 in taxes. Thus a total of £7,335,000 annual land value (annual rental value) is available for community needs without taxing the individual's enterprise. This would seem to demonstrate amply the sufficiency of land values for the fiscal community needs.

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The Cape Province and the Orange Free State also use site value taxation in varying degrees. In Rhodesia, legislation has permitted municipalities to differentiate in their taxing land and improvements. Nairobi in Kenya colony since 1921 has taxed land values only. The principal benefits from land value taxation in Africa, as in Australia and New Zealand, are the bringing of idle land into use and the encouragement of building.

**Land Value Taxation in Western Canada**

Since 1892 when the Municipal Act granted local option for the taxation of land values, the western provinces of Canada have used land value taxation to various degrees. The systems in use in other western provinces are not identical to that in use in British Columbia but are sufficiently similar that British Columbia may be said to typify the use and results of land value taxation in these western provinces.

In British Columbia the value of improvements and land is estimated at their actual cash value. Improvements may be totally exempted or taxed up to 75 per cent of their value. The Provincial Legislature has prohibited municipal taxation of buildings and improvements on over 75 per cent of their

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2. The use of land value taxation has progressed farthest in British Columbia, Alberta, and Saskatchewan, and least in Manitoba.
value. Municipalities determine their own rates of taxation and exemptions. In 1950, out of 101 municipalities sixty taxed improvements 50 per cent; fifteen taxed them less than 50 per cent, and twenty-six taxed them over 50 per cent. Out of the thirty-five cities, Vancouver and eighteen others exempted improvements 50 per cent, Prince George and New Westminster exempted buildings 85 per cent and Nanaimo exempted buildings 75 per cent. Of the twenty-seven districts, one exempted buildings 100 per cent, West Vancouver exempted buildings two-thirds, twelve exempted buildings 50 per cent. In all four western provinces (which comprise an area larger than Spain, France, Sweden, and pre-war Germany) all farm homes and improvements are exempt from taxation, and total or partial exemption of buildings and improvements is widely applied in all four provinces.

Land Value Taxation in Denmark

Denmark was the first European country to put into practical operation a modification of the taxation of land values as advocated by Henry George. Since 1916, land values have been separately assessed, and since 1924 an annual national tax on land values has been levied. The taxation of land values accounts for only a small part of total taxation but

1. From a report presented by delegates Mr. and Mrs. Peter Boschi at the convention of The International Union for Site Value Taxation and Free Trade at Odense, Denmark, August 1952.
amounts to two-thirds of the taxation of real estate. Local real estate taxation amounted to 23 per cent of total local taxation. The counties can tax only on real estate and fix their rate on land values annually to cover current expenditures. Houses have been exempt from state and local taxes to encourage building.

In 1933 a national tax on increases in land values was instituted. Any increase in land value which is not proportionate to an increase for the whole country since the last valuation is taxed at 4 per cent annually on one-half the increase. The treasury and the local taxing authority share this increment tax equally. Thus this increment tax is of consequence only where a considerable increase in land value has taken place and will not ordinarily affect agricultural land because of the exemption provisions. Where land becomes liable to this increment tax, 45 per cent of the increase in value or in economic rent in excess of the over-all increase is made common property. In the valuation of land, the increment tax is disregarded but general taxes are taken into account as affecting the selling value. By the land being valued as though the charge of increment tax did not exist, the effect is as if a part of the land had been acquired from the state on condition of the payment of economic rent to the treasury. State-owned lands are available on the condition that the owner pay 4 per cent per year of the value of the land. Through land value taxation, public ownership of land,
and taxation of the economic rent of land, nearly half the total land value in Denmark has been made common property.

The development of land value taxation in Denmark has, then, assumed three lines of progress: first, state acquisition of land and disposal of it on condition of the payment of economic rent; second, appropriation of part of the increments in land values by collecting the economic rent of part of this portion of land value; third, shifting taxation from improvements and income to land values. Each of these lines of progression is at present undergoing further progress as the result of political action.

The government has acquired a general right of pre-emption when big farms are on sale. This will facilitate the acquisition of land for the establishment of family-sized farms. A bill presented in Parliament would have the effect of permitting alienation of state-owned, non-agricultural land only on condition of the payment of the full economic rent rather than a selling price. The bill appears likely to pass and will extend the principle of state disposal of land on the condition of payment of the economic rent. Another bill has been introduced to increase to 90 per cent the absorption of increased land value exceeding the general percentage rise. New dwellings are exempt from taxation for twenty-two years,

1. The Operation of Land-Value Rating in Various Countries, pp. 3-4.
and a bill is pending to exempt every future augmentation in the value of buildings.

The over-all effect of these policies seems to have been good. Farm tenancy has decreased from 42.5 per cent in 1850 to less than 5 per cent at present.

**Land Value Taxation in New Zealand**

In New Zealand taxes are levied on: (1) the annual rental value of land and improvements taken together; or (2) the capital value of land and improvements together; or (3) the capital value of the land alone or, as it is called in New Zealand, the "unimproved value." The first two assessments are alike in incidence and tax buildings and improvements, imposing a higher tax on the better utilization of the land. The third method of taxing "unimproved value" obtains revenue from land values above and exempts improvements. The method of taxation is determined by local councils in the event one of the first two methods is to be used; but if the "unimproved value" system is proposed, the approval of the taxpayers or special polls are required. As of April, 1948, 104 out of 225 boroughs, counties, and towns taxed on the land value system. Land value taxation is in operation in nearly half the counties and in the majority of the boroughs.

Land values are taxed in two general ways: first, by the Central Government through a graduated tax on the unimproved value of land; and second, by rates or taxes levied
by the local authorities on the unimproved capital or annual value of land. Prior to 1917 land was taxed at a rate equivalent to two cents for each five dollars of unimproved value. In addition, a graduated tax is imposed upon land with an unimproved value over $25,000 and ranges in rate up to over two cents per dollar on land with an unimproved value of $1,000,000 or more.

Various changes have been made through the years. In 1931 the graduated rate scale was abolished and a flat rate substituted. At the present time, on unimproved values of $25,000 or less the tax begins at 1/2 per cent and rises to a

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In December, 1947 an Interdepartmental Committee on Site-Value Rating was appointed by the Minister of Health and the Secretary of State for Scotland to consider and report on the practicability and desirability of meeting a part of local expenditure by an additional rate on site values.
maximum of 2 1/2 per cent. The valuing of land for taxation purposes is done by the Central Government's Valuation Department. Since this Department assesses the value of real estate for both the Central Government and for local authorities, three values are assessed: (1) unimproved value, (2) value of improvements, (3) capital value. The unimproved value is defined as the value of the property less the value of the improvements. Any increase in value, whether due to public works, nearby improvements or general development, is included in the unimproved value of the land. Improvements are valuable additions due to the expenditure of capital and/or labor; they consist of buildings, fences, planting, private roads, and permanent grassing. The capital value is defined as the fair selling value in the open market.

A valuation roll is prepared for each district which lists the particulars of each property within the district. If property owners object to the assessed valuation, the district valuers are instructed to reconsider the values of the assessment in the light of the objections. If reductions are recommended, the necessary changes are made in the valuation roll. In the event they do not recommend any change, an appeal may be made to the assessment court. Any court-granted reductions become effective only after endorsement by the Valuer-General. The property may be acquired for the Crown at the court's valuation if the objector refuses to accept this assessment. However, if the Valuer-General refuses to
reduce the valuation to a level which the owner considers as a fair selling price, the owner may require the Crown to take over his land at official valuation. The decision of the Assessment Court is final except in questions of law, which may be appealed to the Supreme Court.

The Central Government has never obtained more than 10 per cent of its revenue from the land tax, which consequently has never attained importance on the Central Government level. However, the general effects of this graduated land tax have been important. It has stimulated the breaking up of larger estates; it has hindered the growth of land aggregation; and it has taken for community benefit some of the "unearned increment" which the community itself has created.

 Locally there are three methods of taxing: (1) on capital value, (2) on annual value, (3) on unimproved value. At present 49 per cent of the local authorities tax on the unimproved value, 43 per cent on the capital value, and 8 per cent on the annual value. However, 58 per cent of the population of the Dominion is in districts taxing the unimproved value. The adoption of any system is optional on the part of the local tax payers, who may adopt a system by majority of the votes cast.

Experience has shown the unimproved value method of taxing to be the most popular. It has lessened the burden on well-improved rural lands and at the same time tended to discourage the holding of undeveloped land. Under the graded
system, less burden has been placed on the small farmer than upon the large estate owner. The small suburban home owner also has been less burdened by taxes than the owner of valuable city property. Over all, the system of land value taxation has proven popular. Of more than 230 polls taken, 75 per cent have favored land value taxation. Wellington, the capital city, and eighty-five other boroughs, counties and towns raise their local revenues entirely and sixty-five others mainly from taxes on land values.

Land Value Taxation in the United States

California: After the gold rush of 1849, many of those who had migrated to California in a fruitless search for gold turned to agriculture. The need for artificial irrigation of the semi-arid valleys soon led to community action. In view of the fact that nearly all the easily-irrigated land bordering rivers had been improved, legislation was enacted in 1887 permitting land holders in one water shed or area susceptible to irrigation to form an "Irrigation District" with power to tax real property and to borrow funds to finance public works. This law originally permitted the taxation of all real property, both land and improvements. Since it soon


2. Henry George, Progress and Poverty (New York: Robert Schalkenbach Foundation, 1942). For George's explanation of the rise and fall of wages during and after the gold rush, see Book V, Ch. 11.
became apparent that a tax upon improvements constituted a penalty upon industriousness, the law was amended in 1909 to permit the raising of district revenue by an assessment of land values exclusive of improvements. Due to its popularity this system was made mandatory in 1917 by the legislature. In the following ten years, over a hundred irrigation districts were organized. These districts contain over four million acres of the best and most intensively cultivated farm land in the state.

Around the turn of the century, most of the land in the Turlock and Modesto Irrigation districts was owned by a very few. As a consequence of the new system of land value taxation, it soon became unprofitable to hold land out of use. As a result the law was appealed to the courts by the groups to whom it was a disadvantage. The U.S. Supreme Court upheld the constitutionality of the law (164 U.S. 112). This decision resulted in the reduction in size of average holdings. The Turlock and Modesto districts contain about 250,000 acres with an average holding of about thirty acres. This reduction in the size of holdings was accomplished primarily by application of land value taxation. This change was not brought about by confiscation, regimentation, or arbitrary action but rather by the disadvantageousness of holding idle land or not using the land to its best advantage.

In recent years the Federal Government has been constructing and operating the Central Valley Project of California, a
vast land reclamation project with an anticipated cost of around two billion dollars. Since the U.S. Constitution does not permit the Federal Government to tax the value of land to pay the cost of a federal improvement, the land receiving the benefits of this project cannot be taxed by Congress. One interesting aspect of this project has been the Federal Reclamation Act (1902) provision which prohibits the use of water from a federal project on more than 160 acres in one ownership. The provision has stood, despite many attacks and was originally enacted upon the advice of President Theodore Roosevelt and other pioneer conservationists to protect small land holders from monopolization of water by the larger and stronger land holders.

These same principles may effectively be applied for any proposed irrigation project, whether it be the Jordan Valley or the Yangtze. The kernel of the problem was well expressed by Harold L. Ickes when he wrote: "It is the age-old problem of who is to collect the unearned increment in land values created by a public improvement."

Pittsburgh: Pennsylvania's second-class cities were required by law in 1913 to assess a lower tax rate upon buildings than upon land, to assess land values and improvement values separately, and to gradually reduce the tax upon

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1. For an interesting account of the historical background of this law see U.S. Dept. of the Interior, Land Ownership Survey on Federal Reclamation Projects (Washington: Govt. Printing Office, 1948), Part III.
improvements until it was one-half the tax on land value. This system had the advantage of ease of operation, since the techniques of application did not differ from the ordinary real estate tax although the theory differed considerably.

Since 1925 Pittsburgh has assessed land at 100 per cent of its value, but buildings at only 50 per cent of their value. Building has been stimulated as a result of this plan. Since the holding of idle land has become unprofitable, there have been more sales at lower prices, and the number of building permits issued during the transitional period showed a margin of 52 per cent over St. Louis, 25 per cent over New York, 66 per cent over Cleveland and Philadelphia, and 338 per cent over Baltimore. Between 1914 and 1925 the value of buildings in Pittsburgh, represented by new construction, increased 93.77 per cent while population increased only 14.89 per cent. Efforts to repeal the graded tax have been unsuccessful. Although opponents of the tax have branded it as


3. A bill was passed in 1915 repealing the Graded Tax Law but was vetoed by Governor Brumbaugh. "This repealer is opposed by the largest number of protestants that have been heard on any bill ... to disturb it now, when a preponderance of opinion favors it, is unwise." Quoted in Joseph D. Miller, editor, Single Tax Yearbook (New York: Single Tax Review Publishing Co., 1917), p. 64; Arthur N. Young, The Single Tax
unfair, discriminatory and unduly complex, the benefits of stimulated building, discouragement of speculation, and encouragement of industry outweigh its shortcomings.

**Enclaves of Economic Rent:** At present there are five enclaves: Arden, Ardentown, and Ardencroft, Delaware; Free-acres, New Jersey; and Fairhope, Alabama. Fairhope is the oldest, having been founded in 1895. Arden, nineteen miles south of Philadelphia, got its start in 1900.

In these enclaves the community is organized either as a corporation or a trust and holds title to all the land in the community. Tracts of land are leased to home owners and business people. For these people the ideas of Henry George which have intrigued social scientists for over half a century are not just economic concepts, but a way of life. However, due to the fact that every piece of property within these communities is taxed in the conventional way by outside agencies (e.g., county), they do not provide a good example of the effects of land value taxation.

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Throughout his life Henry George searched for the answer to two fundamental questions: What is the true fundamental cause of recurrent industrial depressions, and what is the true fundamental cause of the enormous inequality in the distribution of wealth? Depressions and poverty had been accepted with much the same attitude as medieval plagues. They were bound to happen with no apparent reason. But George reasoned that there had to be a cause; nothing happens without a cause. To attempt a solution without first finding the cause would be merely fumbling in the dark.

George reasoned that wealth is the product of labor applied to natural resources. Since the burden of rent must be borne by labor and capital, both receive less than their due because of the land holder's imposition of this charge. To George the solution was for the government to take the economic rent in the form of taxes. Such taxation, he believed, would be fiscally adequate for governmental operations and as a consequence labor and capital could be relieved of other burdensome taxation. George presented this panacea for socio-economic ills in his first book, Progress and Poverty. Although he did a considerable amount of
writing in the last ten years of his life, it is upon Progress and Poverty that his claim to fame must rest.

In point of circulation Progress and Poverty is the most successful economics book ever printed since it has to date had a circulation conservatively estimated at over two million. Translations have been made into German, French, Dutch, Swedish, Spanish, Russian, Magyar, Hebrew, and even Chinese at the specific request of Dr. Sun Yat Sen. The book is unique in that it was the first attempt to establish the cause of industrial depressions and involuntary poverty. George's most important contribution, the concept of the Single Tax, stems from his conception of land as being essential to the production of all wealth and his belief that the state cannot in justice take from an individual what he has himself created. All personal taxes then are unjust; but since the value of land is socially created, a single tax on land is justified since it would not take from an individual the

1. The more important of George's writings are: Our Land and Land Policy (1871), a forty-eight page pamphlet; Progress and Poverty (1879); The Land Question (1881), dealing with the Irish land problems; "Social Problems" (1883), a series written for Leslie's Magazine; The Reduction to Inquiry (1885), a reply to the attack of the Duke of Argyll; Protection or Free Trade (1886), dealing with tariff problems; An Open Letter to Pope Leo XIII (1891), a reply to the encyclical Rerum Novarum; A Perplexed Philosopher (1892), a criticism of the recantation of Spencer on his views of private property in land; The Science of Political Economy (1898), an unfinished, posthumously-published treatise on economics.

fruits of his labor. Although George staunchly defended the rights of capital against collectivist proposals to confiscate interest as well as rent, he was assailed as an apostle of anarchy and revolution, and his reputation was obscured by his propagandist activities. Nevertheless, his proposals stimulated interest in land economics.

George's merit lies, not in the originality of his proposals, although they were original, but, unlike his predecessors, in having pursued his ideas to their full length in a complete, logical system, thereby establishing the interrelation of economics, history, politics, and ethics.

An efficient tax system must produce ample revenue and promote public welfare. The present system of real property taxation is deficient in the promotion of public welfare in that it has failed to foster decent housing. High land costs unquestionably deter the construction of adequate housing. Persons holding title to a building site can demand a price which privately appropriates publicly-created values and, in addition, the developer must add the cost of taxes. To continue in business he must pass these costs on to tenants or buyers. Yet land value is created either by natural advantages, population concentration, or government services; and it is questionable whether any individual has a right to

appropriate these values created by nature or by the government. Shifting the burden of taxation from buildings and improvements to land would lower the price of land, stimulate building, and secure to the government community-created values. This change could be made slowly at 10 per cent per year and could be part of an integrated system of taxing incomes, inheritances, and land since both the benefit and ability principles of taxation are sound. Taxes from land could be used for municipal and county purposes, and the other taxes for federal purposes.

The most frequent objections to land value taxation are that it is injurious to innocent vested interests, does not yield sufficient revenues, is destructive of security transactions, and involves a system of assessment difficult to administer. But land values can be practically assessed separately, and with modern assessment procedures the difficulties are not insurmountable. As far as the injury to innocent vested interests is concerned, legitimate groups concerned with improving the land would be benefited whereas the obstructive speculative holder of idle land would be at a disadvantage. It is questionable whether any injury to


this small group, whom some regard as social parasites, should deter the institution of benefits for all society. Where the land value taxing system has been used, the security values of land have not been adversely affected and the system has proven fiscally adequate to raise a comparable amount of revenue as under the present system.

General acceptance of land value taxation has been slow for a number of reasons. The legal and business concept of "real estate" has ignored the distinction between buildings, improvements, and land. Taxes on homes, buildings, and improvements are imposed not of necessity, but because they are attached to the land, whereas in many states personal property not attached to the land is exempt. Thus a table lamp is personal property; a lighting fixture is real estate; a portable oil stove is untaxed; an oil furnace in the cellar is real estate and is taxed; a movable bookcase is exempt, a built-in one is taxed. The gambling instinct in human nature impels many people to prefer a remote chance of large profit to a certain but less speculative share in community benefits.

Also, there is a lack of public understanding of the incidence and ultimate effects of taxation, a failure to realize that what the tax does and where it ultimately falls may be more important from a socio-economic standpoint than how much

revenue it produces. In the seventeenth century England of William III a tax was imposed upon windows of two or more panes of glass and upon chimneys. Although the purpose of the tax was to secure public revenue and not to diminish the standards of decent housing, still the tax resulted in smaller windows and fewer chimneys. In retrospect the folly of these laws is clearly recognizable. Yet today we are taxing not only chimneys and windows, but doors, floors, roofs, stairs, and all other parts of homes. Any added part or improvement causes an increase in the tax and consequently deters building and improvement.

Yet building and improvement can be stimulated by a differential tax on buildings and land. By lessening or eliminating the tax on buildings and improvements, new housing is encouraged and incentive given for the abolition of slums and blighted areas; hence the construction industry is benefited with consequent benefits to the whole economy through the effect of the investment multiplier from the stimulation of

1. "State and local authorities should consider the reduction of the rate of taxation of buildings and the corresponding increase of such rates on land, in order to lower the tax burden on home owners and the occupants of low rent houses and to stimulate rehabilitation of blighted areas and slums." Urbanism Committee of the Natl. Resources Committee, Our Cities, Their Role in the National Economy (Washington: Govt. Printing Office, June 1937), p. 76.

investment in this key industry.

The increased taxation of land, necessitated by the reduction or elimination of taxation on buildings and improvements, will discourage the speculative obstructive holding of land and stimulate building; land values will decline and industry will be aided to the extent that less funds will be needed for a suitable business site, with the result that a greater proportion of available funds may be placed in production equipment.

These benefits have been obtained from the use of land value taxation in Australia, Denmark, New Zealand, South Africa, western Canada, and the irrigation districts of California. The over-all effects of its use have been to aid greatly the solution of socio-economic problems. The urgency of these problems is great. To delay using this effective instrumental aid is to make the ultimate solution of these problems more difficult.

2. Public Charges upon Land Values, p. 55.
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