

Re: Income from a tax on land.

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On Sun, 26 Dec 2004 17:51:38 -0700, wjyoung <wjyoung@nospam.net>
wrote:

>royls@telus.net wrote:

>

>> On Wed, 22 Dec 2004 00:05:55 -0700, wjyoung <wjyoung@nospam.net>

>> wrote:

>>

>>>royls@telus.net wrote:

>>>

>>>>On Fri, 17 Dec 2004 00:34:09 -0700, wjyoung <wjyoung@nospam.net>

>>>>wrote:

>>>>

>>>>>Why should the regular fee that citizens pay for the exclusive usage

>>>>>privilege of land be proportionate to its market value?

>>>>>

>>>>>That's the measure of the advantage or benefit that government and the

>>>>>community confer on the user.

>>>>>

>>>>>Is the market value of land use privilege not to be separated from the

>>>>>market value of the choices made by the user, such as the choice to

>>>>>build a nice home on the land, or the choice to leave the lot empty and

>>>>>sell it to the highest bidder once the surrounding business is booming?

>>>>>

>>>>> You are apparently trying to confuse yourself and/or your readers.

>>>>> Choices do not have any value in themselves. It's the house that

>>>>> would have value, not the choice to build one. The house *_as_built_*

>>>>> might add a lot of value, or it might be a monstrosity no one would

>>>>> want to live in. It is not making the choice to build a house that

>>>>> adds value, but rather the actual building.

>>>>>

>>>>>Is the market value of the exclusive usage privilege of a plot of land

>>>>>not to be separated from the market value of the house built upon it?

Yes. But the value of the house does not come from the owner's choice to build. It comes from the labor of the people who design and build it.

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>> *As to the choice to add no value at all, but merely to await an
>> opportune moment to commandeer for oneself the value others create in
>> the land, you need to clarify why (assuming it wasn't just a
>> childish clumsy and obvious attempt to justify landowner parasitism,
>> that is) you are claiming that that choice adds value, when the land
>> would be just as valuable even had the chooser never existed.*

>
>*How does government know the market value of the exclusive usage
>privilege of the empty lot until its current holder sells it, and of
>course, until either buyer or seller discloses this information?*

?? Buyer and seller don't have to disclose that information. It is disclosed automatically as part of the process by which government transfers the title. And anyway, how do the buyer and seller arrive at a price? Do you think there is some magical force that prevents government employees from doing what buyers and sellers do?

>*Also, once that information is known to government such that the
>exclusive usage privilege fee that should be levied the holder of the
>privilege, does it fit with your sensibilities that the new fee should
>apply to the buyer?*

Certainly.

>*Or should there be some way to reclaim the deficit
>from the original owner as implied by the increase in market value since
>the last market transaction when he bought it, such as to assume a
>linear rate of increase between original purchase price and eventual
>selling price that could be summarized, including interest, into a fee
>to be charged the seller at the time of the disclosure of the facts of
>the transaction?*

The amount paid to the seller would already be reduced equivalently, as the buyer would know he was going to have to pay the difference, and reduce his bid accordingly.

Tenants need secure tenure in order to use land as productively as possible, and retroactive taxation is not a part of LVT. It would be normal for the holder of a land use privilege to have a guaranteed tax amount for some limited period of time (say five years).

>>>>>*What of a fee
>>>>>proportionate to the physical size of the land to which an individual
>>>>>wishes to be granted the exclusive privileges of land ownership, perhaps
>>>>>with a uniform rate being assigned for each zone?*

>>>>>
>>>>>*Does size matter? ;^) The advantage conferred by the services and
>>>>>infrastructure government provides and the opportunities and amenities
>>>>>the community provides are not proportional to area, but are
>>>>>determined primarily by location, especially proximity to population.*
>>>>>

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>>>...and not market value...?

>>

>> ?? Market value is determined by the advantages conferred on the user, not the other way around.

>

>I thought market value was determined by buyer and seller.

?? And how do you suppose they "determine" it, if not by reference to the economic advantages conferred on the user? By cutting cards? Reading tea leaves?

>Anyway, I am inclined to conclude from your comment that it should not be the market value of the land use privilege that should determine the fee to be paid to government, but rather the real burden that would be placed on government services by the existence of the land use privilege.

No. Few market values are equal to the associated marginal costs, even if the latter could be measured, which in this case they can't.

>Would I be incorrect to do so?

Yes.

>>>>>Or a direct tax as

>>>>>determined by dividing the cost of government by the population of its subjects?

>>>>

>>>>That is effectively the same as a land tax, given that all have equal rights to the land and thus to its rent.

>>>>

>>>>Should it not follow that government expenditure of those tax revenues result in an equal benefit for all in the community?

>>

>> Right, because almost all government spending that isn't wasted ends up as land rent, to which all have an equal claim.

>

>How does non-wasted government spending end up as land rent?

By increasing the advantage conferred on the land's user, relative to the user of marginal land.

>How is government spending wasted?

Lots of ways. Consider the return achieved by the government of North Korea. How much is the US government getting for its current spending in Iraq?

>>>Do not all members

>>>of the community benefit equally from the existence of a police force

>>>and judicial system?

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>>

>> *They don't now, of course: the police are of much more benefit to those who have things worth stealing than to those who don't. But people _would_ all benefit equally under a land rent recovery system.*

>

>*Would the people who do not benefit under today's system come to benefit under the land rent recovery system because government would bestow on them gifts worth stealing, which would be provided from the taxes paid by those who already possess such gifts?*

No, they would benefit through not having to pay for government services twice (once in taxes and again in land rent) in order to give landowners something for nothing.

>*Or would they be granted*

>*relief from their own tax burdens because the rich have been made to pay them on their behalf?*

Not "the rich." Landowners. And the tax burdens are only "their own" now because they are made to pay twice in order that landowners can get something for nothing.

>> *To benefit from the existence of a police force and judicial system, you have to be living, doing business, etc. -- i.e., using land -- within the area of their jurisdiction. But that means you have to be paying land rent to get any of those benefits; and because the supply of land is fixed, the value cannot be competed away: the land rent will reflect the full market value of those benefits. Under a land rent recovery system, all benefit equally from government spending, because all the benefits that proceed from government spending on services, infrastructure, etc. flow through and add to the land rent, to which all have equal claims.*

>

>*I hope you do not regard them as a people of, by, and for government.*

Why would I?

>*How is the benefit that comes from personal labor separated from the benefit that comes from government services?*

Personal labor is paid for by the employer, who presumably knows what he is getting for his money. Government services are paid for once by taxpayers, and then again by land users. It's just that the second payment currently doesn't go to the government that is providing the services, but to private landowners for doing nothing.

>>>*Should it be that those who pay higher rent enjoy nightly patrols of their neighborhoods by tax-funded police, whereas those who pay lower rent should not?*

>>

>> *That is effectively already the case (the specific services involved*

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>> *may vary widely, of course), as the land rent on each parcel in each
>> area already reflects the market value of the exact degree of benefit
>> conferred on each land user by all government spending.*

>

>*Am I to assume that the rent being charged by government to the citizen
>reflects the market value of the benefit of government spending on the
>citizen simply because government has charged it?*

I don't know what you are referring to, here. Rent is charged for land use privileges, not per citizen. The rent reflects the market value of the benefit conferred on the land's user; it is not just an arbitrary amount, but the exact amount the user would be willing to pay a private landowner for what government, the community and nature are providing.

>*What of the*

>*reciprocating expenditures by government; are they not already the
>benefit itself?*

The land rent measures the benefit received on a particular parcel, not the amount spent there. As I said before, some government spending is wasted, and money spent is no guarantee of benefit conferred. The former can be determined by accountants, but only the market measures the latter.

>>>*Doesn't the holder of the privilege that would attract a higher market
>>>price receive identical access to the services provided by the
>>>expenditure of those rental revenues by government?*

>>

>> *Yes, in the sense that he has an exactly equal claim to the rent those
>> services create.*

>

>*Government services create rent?*

Yes, to the extent that they confer greater differential economic advantages on the users of land within the government's jurisdiction. Most government services make locations within its jurisdiction more valuable.

>*Which is the cart and which is the horse?*

We know that government is the horse and rent the cart, because when government stops, the rent stops.

>*Is it a people of, by, and for government?*

I have no idea what that would mean.

>> *Under the current system, by contrast, the holder of the higher-value
>> land use privilege gets a large gift from government and the
>> community, in the form of higher land rents, in return for which he*

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>> *contributes exactly nothing.*

>

>*How did the land use privilege come to have a higher market value?*

Greater advantage conferred, relative to marginal land.

>> *In any case, "identical access" is perfectly meaningless in the
>> context of benefits received. The people who shop in a grocery store
>> all have "identical access" to the goods on the shelves, but they of
>> course get -- and pay for -- only the ones they actually take home.*

>

>*I can't imagine that I should be expected to recite my credit card
>number when calling the police to report a prowler in the neighborhood.*

Oh, don't worry, that's not necessary: they already know which neighborhood you are calling from. And they know which neighborhoods are likely to have more prowlers, too (hint: not the high-rent districts).

>>>*And if the rental*

>>>*fees are proportionate to market value, which must be determined in some
>>>part by the choices made by that user with regard to "his" land during
>>>his period of "ownership" of the land use privilege,*

>>

>> *No, the choices made by the land user do not affect the market value
>> of the land, though the choices made by the users of nearby parcels
>> may.*

>

>*How is it that my neighbors might affect the market value of my land use
>privilege but I could not?*

Because the value of the privilege by definition specifically excludes the effect of anything the holder does, but includes the effects of everything everyone else does.

>> *This has been recognized for nearly 200 years as a fundamental
>> advantage of taxing land rent: there is nothing the land user can do
>> to reduce his tax obligation but use less valuable land, or to
>> increase it but use more valuable land.*

>

>*What a dilemma.*

Not to those who intend to profit by production rather than parasitism.

>>>*isn't that user*

>>>*paying more for the same real return?*

>>

>> *Unlike the payer of a tax on earned income (which is almost all the
>> current income tax taxes), the payer of a land value tax pays only for
>> the benefits he receives from the community, not for the benefits he*

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>> *contributes to the community through his productive efforts.*

>

>*I guess those benefits are not simply that which are inherent to a*

>*community police station or fire department, but rather includes the*

>*prosperity the individual realizes under that auspices of those services.*

The value of the advantage conferred on the privilege's holder.

Right.

>*Barring an argument that prosperity is created entirely by government*

>*expenditures,*

Prosperity is created by abundant production of goods and services, which can only thrive under certain conditions such as security in one's person, liberty to devote one's labor to productive ends, access to the necessary natural resources and secure property rights in the resulting products. No government, no prosperity.

Now, granted, it is most certainly possible to get government wrong. Far from fostering prosperity, a handful of very bad governments have reduced or eliminated it, for themselves and/or their neighbors, perhaps even reducing it below the level typical of anarchistic societies. But such governments are very much the exception.

>*where is the line drawn between the benefits of those*

>*services and the benefits of the labor of the individual?*

To the extent that their effects are specific to the goods or services produced, the latter are not taxed.

>*What is the rate of the tax?*

Assuming it is a multiple of the discount rate, the rate doesn't matter much. What matters is the base.

— Roy L