

Land-value taxes

The Economist

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- New York in the late 1860s, a place of unimaginable wealth. Yet it also contained deeper poverty than the less-developed West Coast.
- Too much of the wealth of New York was being extracted by landowners, **who did nothing to contribute to the development of the city**, but could extract its riches via rents.

Land-value tax

- A **land-value tax** might seem like an enticing prospect to those harmed by high land values today.
- Unremitting demand in rich cities has sent land values in and around them soaring, after decades of falling interest rates.
- Rent is so expensive in places such as San Francisco's Bay Area that even technology workers earning hundreds of thousands of dollars a year complain that life there is unaffordable.

Generational divide

- Many older people have become rich as house prices have surged.
- But most young people cannot hope to buy houses in places such as London, unless they benefit from a big inheritance.
- The time seems ripe for a revival in Georgist (Henry George) thinking.

- Taxes on land have long had a magnetic attraction for liberals and economists. Their appeal has two roots.
- The first appeal of land tax is fairness.
- The second appealing feature of land-value taxes—and the one that entices economists—is their efficiency.
- Typically, taxing a good lowers supply and raises prices.
- Taxes on alcohol deter drinking.
- Taxing property values (房地產) as a whole discourages development.

Land is different

- But land is different. Its supply is fixed.
- As long as landlords are competing with each other for tenants ... the tax cannot, in theory, be passed on through higher rents.
- Henry George: the state should confiscate all land rents.

- Despite George's fame and influence, *Progress and Poverty* did not lead to widespread adoption of land taxes.
- Today, although most economists will acknowledge their efficiency, such taxes have been implemented only in a handful of places.
- The norm is a **property tax**, levied on the total value of the land plus what is built on it.

Landlord's gains

- One of George's arguments for confiscating land rents was that landlords do not deserve the gains they accrue when others invest in an area.
- Landowners in today's successful cities have surely profited from public investment, but the bulk of their gain has come from an explosion of private economic activity.

Amazon's headquarter

- Later this year Amazon is due to announce the site of its second headquarters.
- Its headquarters will employ perhaps 50,000 rich workers, who will bid up rents and land values, all the while crowding local public services and infrastructure.
- The biggest winners from Amazon's decision will be local property owners.

Power of this argument

- Whatever the political obstacles to land-value taxes, the power of this argument remains as decisive as it was a century ago.

- 台灣: 南科的發展讓台南房價上升 (2020)
- 2016年開始, 房屋及土地以合併後的實價總額, 扣除實際取得成本後, 按實際獲利課徵交易所得稅。