

Economists' quotes in favour of land value capture

Many economists, across the political spectrum, have urged the use of land value capture for public benefit (site rental or land value taxation) as a means to derive public monies rather than taxes on capital and labour. The following is a collection of quotes from some of the greatest economists who have advocated this approach.

Henry George (1839 – 1897)



American political economist and the most influential proponent of the public capture of land rent for public benefit combined with the elimination of taxes on labor and production. He was the author of *Progress and Poverty*, written in 1879, *Social Problems, Protection or Free Trade*, *The Land Question*, *Our Land and Land Policy*, and *The Science of Political Economy*.

George formulated a comprehensive set of economic policies. He was highly critical of restrictive patents. He also advocated the replacement of patents with government supported incentives for invention and scientific investigation and dismantling of monopolies when possible – and taxation or regulation of natural monopolies. Overall, he advocated a combination of free markets and significant social programs made possible by economically efficient taxes on land rent and monopolies.

What has destroyed every previous civilization has been the tendency to the unequal distribution of wealth and power.

Almshouses and prisons are as surely the marks of `material progress' as are costly dwellings, rich warehouses, and magnificent churches.

It is not enough that men should vote; it is not enough that they be theoretically equal before the law. They must have liberty to avail themselves of the opportunities and means of life. They must stand on equal terms with reference to the bounty of nature.

The equal right of all men and women to the use of land is as clear as their equal right to breathe the air. It is a right proclaimed by the fact of their existence. For we cannot suppose that some men and women have a right to be in this world and others do not.

Our primary social adjustment is a denial of justice. In allowing one man to own the land on which and from which other men must live, we have made them his bondsmen in a

degree which increases as material progress goes on. This is the subtle alchemy that in ways they do not realize is extracting from the masses in every civilized country the fruits of their weary toil; that is instituting a harder and more hopeless slavery in place of that which has been destroyed; that is bringing political despotism out of political freedom, and must soon transmute democratic institutions into anarchy.

Do what we may, we can accomplish nothing real and lasting until we secure to all the first of those equal and inalienable rights with which.... man is endowed by his creator - the equal and inalienable right to the use and benefit of natural opportunities.

For justice to be done between men it is not necessary for the State to take the land; it is only necessary to take its rent

Social reform is not to be secured by noise and shouting, by complaints and denunciations, by the formation of parties, or the making of revolutions; but by the awakening of thought and the progress of ideas. Until there be correct thought there cannot be right action; and when there is correct thought, right action will follow.

The wrong that produces inequality; the wrong that in the midst of abundance tortures men with want or harries them with the fear of want; that stunts them physically, degrades them intellectually, and distorts them morally, is what alone prevents harmonious social development.

If you would realize what land is, think of what men would be without land. If there were no land, where would be the people? Land is not merely a place to graze cows or sheep upon, to raise corn or raise cabbage. It is the indispensable element necessary to the life of every human being. We are all land animals; our very bodies come from the land, and to the land they return again.

To abolish these taxes would be to lift the whole enormous weight of taxation from productive industry. The needle of the seamstress and the great manufactory; the cart-horse and the locomotive; the fishing boat and the steamship; the farmer's plow and the merchant's stock, would be alike untaxed. All would be free to make or to save, to buy or to sell, unfinned by taxes, un-annoyed by the tax-gatherer. Instead of saying to the producer, as it does now, "The more you add to the general wealth the more shall you be taxed!" the state would say to the producer, Be as industrious, as thrifty, as enterprising as you choose, you shall have your full reward! You shall not be fined for making two blades of grass grow where one grew before; you shall not be taxed for adding to the aggregate wealth.

...the value of land is at the beginning of society nothing, but as society develops by the increase of population and the advance of the arts, it becomes greater and greater. In every civilized country, even the newest, the value of the land taken as a whole is sufficient to bear the entire expenses of government. In the better developed countries it is much more than sufficient. Hence it will not be enough merely to place all taxes upon the value of land. It will be necessary, where rent exceeds the present governmental

revenues, commensurately to increase the amount demanded in taxation, and to continue this increase as society progresses and rent advances.

The way to secure equality is plain. It is not by dividing the land. It is by calling upon those who are allowed possession of pieces of land giving special advantage to pay to the whole community, the rest of the people, and including themselves, to the whole people, a fair rent or premium for that privilege as using the fund so obtained for the benefit of the people. What we would do would be to make the whole people the general landlord, to have whatever rent is paid for the use of the land, to go, not into the pockets of individual landlords, but into the treasury of the community, where it could be used for the common benefit.

This truth involves both a menace and a promise. It shows that the evils arising from the unjust and unequal distribution of wealth, which are becoming more and more apparent as modern civilization goes on, are not incidents of progress, but tendencies which must bring progress to a halt; that they will not cure themselves, but, on the contrary, must, unless their cause is removed, grow greater and greater, until they sweep us back into barbarism by the road every previous civilization has trod.

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Adam Smith



Adam Smith (1723 - 1790)

Ground rents are a species of revenue which the owner, in many cases, enjoys without any care or attention of his own. Ground rents are, therefore, perhaps a species of revenue which can best bear to have a peculiar tax imposed upon them.

Every improvement in the circumstances of society tends either directly or indirectly to

raise the real rent of land, to increase the wealth of the landlord.

Ground-rents, and the ordinary rent of land, are, therefore, perhaps, the species of revenue which can best bear to have a peculiar tax imposed upon them.... The annual produce of the land and labour of the society, the real wealth and revenue of the great body of the people, might be the same after such a tax as before. . . . [A tax of this kind would be] much more proper to be established as a perpetual and unalterable regulation, or as what is called a fundamental law of the commonwealth, than any tax which was always to be levied according to a certain valuation.

A tax upon ground-rents would not raise the rents of houses. It would fall altogether upon the owner of the ground-rent, who acts always as a monopolist, and exacts the greatest rent which can be got for the use of his ground.

Both ground rents and the ordinary rent of land are a species of revenue which the owner, in many cases, enjoys without any care or attention of his own... Ground rents seem, in this respect, a more proper subject of peculiar taxation... Nothing can be more reasonable than that a fund which owes its existence to the good government of the state should be taxed peculiarly...

People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices.

Adam Smith believed in the necessity of public investments in infrastructure and public goods. He spoke of the duty of government to support “*public institutions and those public works, which, though they may be in the highest degree advantageous to a great society, are, however, of such a nature that the profit could never repay the expense to any individual or small number of individuals, and which it therefore cannot be expected that any individual or small number of individuals should erect or maintain.*”

David Hume (1711-1776)

Every person, if possible, ought to enjoy the fruits of his labour, in a full possession of all the necessaries, and many of the conveniences of life. No one can doubt, but such an equality is most suitable to human nature, and diminishes much less from the happiness of the rich than it adds to that of the poor.

John Stuart Mill (1806-1873)

Landlords grow rich in their sleep without working, risking or economizing. The increase in the value of land, arising as it does from the efforts of an entire community, should belong to the community and not the individual who might hold title.

A tax on rent falls wholly on the landlord. There are no means by which he can shift the burden upon anyone else. It does not affect the value or price of agricultural produce, for

this is determined by the cost of production in the most unfavourable circumstances, and in those circumstances, as we have so often demonstrated, no rent is paid. A tax on rent, therefore, has no effect other than its obvious one. It merely takes so much from the landlord and transfers it to the State.

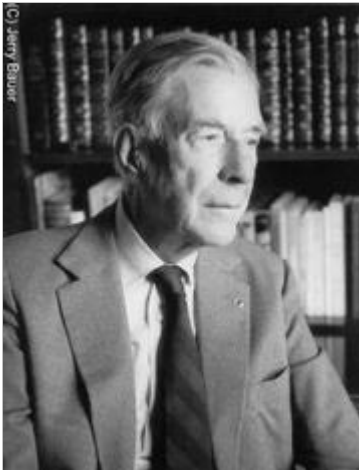
The Physiocrats

The French physiocrats, Dr **Francois Quesnay** (1694-1774) and Baron AR **Jacques Turgot** (1727-1781) coined the phrase "*l'impôt unique*" ("the single tax"). One of the Enlightenment's wise men, **Mirabeau the Elder**, held that their discovery would be a "*social advance equal to the inventions of writing and money.*"

Thus the form of assessment which is the most simple, the most regular, the most profitable to the state, and the least burdensome to the taxpayers, is that which is made proportionate to and laid directly on the source of continually regenerated wealth (land).
- Francois Quesnay

John Kenneth Galbraith

Presidential Medal of Freedom, 1946 and 2000



If a tax were imposed equal to the annual use value of real property ex its improvement, so that it would now have no net earnings and hence no capital value of its own -- progress would be orderly and its fruits would be equitably shared.

Galbraith is perhaps the most known of twentieth century economists. A Keynesian and an institutionalist, and a progressive liberal, his books on economic topics (e.g. *American Capitalism, The Affluent Society, The New Industrial State*) were bestsellers. Galbraith taught at Harvard University and served in the administrations of Franklin D. Roosevelt, Harry S. Truman, John F. Kennedy and Lyndon B. Johnson; and among other roles served as U.S. ambassador to India under Kennedy.

Paul Samuelson,

Winner, Nobel Memorial Prize in Economics, 1970



Our ideal society finds it essential to put a rent on land as a way of maximizing the total consumption available to the society. ...Pure land rent is in the nature of a 'surplus' which can be taxed heavily without distorting production incentives or efficiency. A land value tax can be called 'the useful tax on measured land surplus'.

Milton Friedman (Nobel Memorial Prize in Economics, 1976)



There's a sense in which all taxes are antagonistic to free enterprise -- and yet we need taxes. ...So the question is, which are the least bad taxes? In my opinion the least bad tax is the property tax on the unimproved value of land, the Henry George argument of many, many years ago.

Land should be taxed as much as possible and improvements as little as possible.

Herbert Simon,

Nobel Memorial Prize in Economics, 1978

Assuming that a tax increase is necessary, it is clearly preferable to impose the additional cost on land by increasing the land tax, rather than to increase the wage tax.

Herbert Simon has been credited for revolutionary changes in microeconomics. He is responsible for the concept of organizational decision-making as it is known today. He was also the first to discuss this concept in terms of uncertainty; i.e. it is impossible to

have perfect and complete information at any given time to make a decision. While this notion was not entirely new, Simon is best known for its origination. It was in this area that he was awarded the Nobel Prize in 1978.

James Tobin,

Nobel Memorial Prize in Economics, 1981



I think in principle it's a good idea to tax unimproved land, and particularly capital gains (windfalls) on it. Theory says we should try to tax items with zero or low elasticity, and those include sites.

James Tobin served as an economic advisor for John F. Kennedy and taught at Yale University for many years. In 1955 he won the John Bates Clark medal and in 1981 the Nobel Memorial Prize in Economics.

Tobin advocated and developed the ideas of Keynesian economics. He argued that governments should intervene in the economy in order to stabilise output and avoid recessions. His academic work included pioneering contributions to the study of investment, monetary and fiscal policy and financial markets. Furthermore, he proposed an econometric model for censored endogenous variables, the well known "Tobit model". He also suggested a tax on foreign exchange transactions, now commonly known as the "Tobin tax", designed to reduce speculation. He suggested that the proceeds of the tax could be used to fund projects for the benefit of developing countries, or to support the United Nations.

Franco Modigliani,

Nobel Memorial Prize in Economics, 1985



It is important that rent of land be retained as a source of government revenue. Some persons who could make excellent use of land would be unable to raise money for the purchase price. Collecting rent annually provides access to land for persons with limited access to credit.

James Buchanan Jr.

Nobel Memorial Prize in Economics, 1986



The landowner who withdraws land from productive use to a purely private use should be required to pay higher, not lower, taxes.

Robert Solow

Nobel Memorial Prize in Economics, 1987



The user of land should not be allowed to acquire rights of indefinite duration for single payments. For efficiency, for adequate revenue and for justice, every user of land should be required to make an annual payment to the local government equal to the current rental value of the land that he or she prevents others from using.

William Vickrey

Nobel Memorial Prize in Economics, 1996



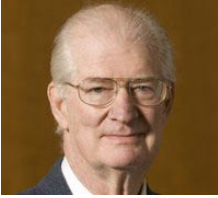
Economists are almost unanimous in conceding that the land tax has no adverse side effects. ...Landowners ought to look at both sides of the coin. Applying a tax to land values also means removing other taxes. This would so improve the efficiency of a city that land values would go up more than the increase in taxes on land.

Michael Hudson



Author of Super Imperialism and other works: *politically, taxing economic rent has become the bête noir of neoliberal globalism. It is what property owners and rentiers fear most of all, as land, subsoil resources and natural monopolies far exceed industrial capital in magnitude. What appears in the statistics at first glance as "profit" turns out upon examination to be Ricardian or "economic" rent.*

Herman E. Daly



The windfall Rent from higher resource prices would be captured by the government and become public income - a partial realization of Henry George's ideal of a single tax on Rent. Using Rent to finance a minimum income could substitute for a considerable number of bureaucratic welfare programs.

James Robertson



Economist and former British cabinet minister, author and co-founder of **The Other Economic Network**: *Tax the site-value of all land in its unimproved state. This tax was first proposed by the 19th century American economist Henry George. We should envisage the eventual removal of all taxes on incomes and value added, savings and financial capital. Taxes will take the form of Rents and charges reasonably paid in exchange either for the use of resources that would otherwise be available for other people, or for damage caused to other people.*

John Maynard Keynes (1883-1946)

There have been times when it was probably the craving for the ownership of land, independently of its yield, which served to keep up the rate of interest... The high rates of interest from mortgages on land, often exceeding the probable net yield from cultivating the land, have been a familiar feature of many agricultural economies ... The competition of a high interest-rate on mortgages may well have had the same effect in retarding the growth of wealth from current investment in newly produced capital-assets, as high interest rates on long-term debts have had in more recent times.

First Viscount Philip Snowden (1864-1937)

British economist and politician, between the 20th century's world wars modernized this thought. *"There never was a time when the need was greater than it is today for the application of the philosophy and principles of Henry George to the economic and*

political conditions which are scourging the whole world. The root cause of the world's economic distress is surely obvious to every man who has eyes to see and a brain to understand. So long as land is a monopoly, and men are denied free access to it to apply their labor to its uses, poverty and unemployment will exist. Permanent peace can only be established when men and nations have realized that natural resource should be a common heritage, and used for the good of all mankind... I am of the opinion that rent belongs to society and that no single person has the right to appropriate and enjoy what belongs to society.

Joseph E. Stiglitz

Nobel Prize in economics in 2001, former World Bank Chief Economist

In 1999 he was fired from his position as Chief Economist with the World Bank after he began to speak about his concerns. In an interview in 2001 with Greg Palast, a writer for *The Observer* (London), Stiglitz described in detail the four-step plan used by the international banking institutions to extract wealth from around the world. In his view the process leads to financial barbarism, pillage and plunder and has resulted in immense suffering, starvation and destruction. “*It has condemned people to death*”, Stiglitz said bluntly in the interview.

When Palast asked Stiglitz what he would do to help developing nations, Stiglitz proposed radical land reform and an attack at the heart of “landlordism,” including excessive rents charged by the propertied oligarchies worldwide. When Palast asked why the Bank didn’t follow his advice, Stiglitz answered, “*If you challenged it (property rights in land), that would be a change in the power of the elites. That’s not high on their agenda.*” (From Greg Palast, “The World Bank’s former Chief Economist - including how the IMF and US Treasury fixed the Russian elections,” *The Observer* (London) October 10, 2001)

Arthur P. Becker

Economics professor

The drain of the economic rent of land is the most pervasive income drain of all. Since land and its services are supplied by nature, the economic rent of land constitutes a surplus payment for production and therefore one variety of nonproductive income. Because all economic activity requires the use of land for space and for other resources as well, the drain imposed by land rents for leasing or land values for purchase is inevitable and enormous, ranging all the way from choice urban land sites to oil lands.

...

Harry Gunnison Brown

His 1932 text, *The Economic Basis of Tax Reform*, is arguably the classic exploration of the effects of taxation on economies. The reader is urged to read this text in full for a comprehensive explanation of why both logic and ethics recommend the shifting of public revenue *to location rental values* and other sources of *rent*. On the moral argument alone, Brown asks and answers the most important question:

What is there in our economic life more significant – more portentous, indeed – than the fact that a majority must pay the relatively few for the privilege of living and of working on those parts of the surface of the earth which geological forces and community development have made desirable?

Economists' Letter to Mikhail Gorbachev

On November 7, 1991, on the initiative of economist Nic Tideman, 27 prominent economists signed a letter (November 7, 1990) advising Gorbachev to capture land rent to smooth the transition to a market economy. Eight of the signers won the Nobel Prize, including: **James Buchanan, Franco Modigliani, Herbert Simon, Robert Solow, James Tobin** and **William Vickrey**:-

Open letter to Mikhail Gorbachev (1991)

Dear Mr. Gorbachev,

The movement of the Soviet Union to a market economy will greatly enhance the prosperity of your citizens. Your economists have learned much from the experience of nations with economies based in varying degrees on free markets. Your plans for freely convertible currency, free trade, and enterprises undertaken and managed by individuals who receive the profit or bear the losses that result from their decisions are all highly commendable. But there is a danger that you will adopt features of our economies that keep us from being as prosperous as we might be. In particular, there is a danger that you may follow us in allowing most of the rent of land to be collected privately.

It is important that the rent of land be retained as a source of government revenue. While the governments of developed nations with market economies collect some of the rent of land in taxes, they do not collect nearly as much as they could, and they therefore make unnecessarily great use of taxes that impede their economies – taxes on such things as incomes, sales and the value of capital.

Social collection of the rent of land and natural resources serves three purposes:

- First, it guarantees that no one dispossesses fellow citizens by obtaining a disproportionate share of what nature provides for humanity.
- Second, it provides revenue with which governments can pay for socially valuable activities without discouraging capital formation or work effort, or interfering in other ways with the efficient allocation of resources.

- Third, the resulting revenue permits utility and other services that have marked economies of scale or density to be priced at levels conducive to their efficient use.

The rental value of land arises from three sources. The first is the inherent natural productivity of land, combined with the fact that land is limited. The second source of land value is the growth of communities; the third is the provision of public services. All citizens have equal claims on the component of land value that arises from nature. The component of land value that arises from community growth and provision of services is the most sensible source of revenue for financing public services that raise the rental value of surrounding land. These services include roads, urban transit networks, parks, and public utility networks for such services as electricity, telephones, water and sewers. A public revenue system should strive to collect as much of the rent of land as possible, allocating the part of rent derived from nature to all citizens equally, and the part derived from public services to the governmental units that provide those services. When governments collect the increase in land value that results from the provision of services, they are able to offer services at prices that represent the marginal social cost of these services, promoting efficient use of the services and enhancing the rental value of the land where the services are available. Government agencies that use land should be charged the same rentals as others for the land they use, or services will not be adequately financed and agencies will not have adequate incentive or guidance for economizing on their use of land.

Some economists might be tempted to suggest that the rent can be collected publicly simply by selling land outright at auction. There are a number of reasons why this is not a good idea.

- First, there is so much land to be turned over to private management that any effort to dispose of all of it in a short period would result in an extreme depression in prices offered.
- Second, some persons who could make excellent use of land would be unable to raise money for the purchase price. Collecting rent annually provides access to land for persons with limited access to credit.
- Third, subsequent resale of land would enable speculators to make large profits unrelated to any productive services they offer, resulting in needless inequity and dissatisfaction.
- Fourth, concern about future political conditions would tend to depress offers. Collecting rent annually permits the citizens of future years to capture the benefits of good future public policies.
- Fifth, because investors tend to be averse to risk, general uncertainty about the future will tend to depress offers. This risk aversion is sidestepped by allowing future rental payments to be determined by future conditions.
- Finally, the future rent of land can more justly be claimed by future generations than by today's citizens. Requiring annual payments from the users of land allows each year's population to claim that year's rent. While the proceeds of sales could be invested for the benefit of future generations, not collecting the money in advance guarantees the heritage of the future against political excesses.

The attached Appendix provides a brief technical discussion of issues of the duration of rights to use land, the transfer of land, the assessment of land, social protection against the abuse and subsequent abandonment of run-down property, and redistribution among localities to adjust for

differences in natural per capita endowments. While these issues need to be addressed, none of them present any insoluble problems.

A balance should be kept between allowing the managers of property to retain value derived from their own efforts to maintain and improve property, and securing for public use the naturally inherent and socially created value of land. Users of land should not be allowed to acquire rights of indefinite duration for single payments. For efficiency, for adequate revenue and for justice, every user of land should be required to make an annual payment to the local government, equal to the current rental value of the land that he or she prevents others from using.

Sincerely,

Nicolaus Tideman, Professor of Economics, Virginia Polytechnic Institute and State University.

William Vickrey, President for 1992, American Economic Association.

Mason Gaffney, Professor of Economics, University of California, Riverside.

Lowell Harris, Professor Emeritus of Economics, Columbia University.

Jacques Thisse, Professor of Economics, Centre for Operations Research and Econometrics, Universite Catholique de Louvain, Belgium.

Charles Goetz, Joseph M. Hartfield Professor of Law, University of Virginia School of Law.

Gene Wunderlich, Senior Agricultural Economist, Economic Research Service, U.S. Department of Agriculture.

Daniel R Fusfeld, Professor Emeritus of Economics, University of Michigan.

Carl Kaysen, Professor of Economics, Massachusetts Institute of Technology.

Elizabeth Clayton, Professor of Economics, University of Missouri at St. Louis.

Robert Dorfman, Professor Emeritus of Political Economy, Harvard University.

Tibor Scitovsky, Emeritus Eberle Professor of Economics, Stanford University.

Richard Goode, Washington, D.C.

Susan Rose-Ackerman, Eli Professor of Law and Political Economy, Yale Law School.

James Tobin, Sterling Professor Emeritus of Economics, Yale University.

Richard Musgrave, Professor Emeritus of Political Economy, Harvard University.

Franco Modigliani, Professor Emeritus of Economics, Massachusetts Institute of Technology.

Warren J Samuels, Professor of Economics, Michigan State University.

Guy Orcutt, Professor Emeritus of Economics, Yale University.

Eugene Smolensky, Dean of the School of Public Policy, University of California, Berkeley.

Ted Gwartney, Real Estate Appraiser and Assessor, Anaheim, California.

Oliver Oldman, Learned Hand Professor of Law, Harvard University.

Zvi Griliches, Professor of Economics, Harvard University.

William Baumol, Professor of Economics, Princeton University.

Gustav Ranis, Frank Altschul Professor of International Economics, Yale University.

John Helliwell, Professor of Economics, University of British Columbia.

Giulio Pontecorvo, Professor of Economics and Banking, Graduate School of Business, Columbia University.

Robert Solow, Institute Professor of Economics, Massachusetts Institute of Technology.

Alfred Kahn, Ithaca, New York.

Harvey Levin, Augustus B Weller Professor of Economics, Hofstra University.