

## Twelfth Winter School on Inequality and Social Welfare Theory (IT12)

### "SPACE, MOBILITY and OPPORTUNITIES"

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#### "Redistributive taxation on Land"

Alain Trannoy EHESS and AMSE

#### Abstract

The name of Henry George is associated with a result in public economics discovered by Richard Arnott and Joseph Stiglitz according to which it is optimal to finance local public infrastructures and utilities with a tax on rents or tax on real estate. The Henry George theorem as it was coined by Arnott and Stiglitz does not exhaust the interest of Henry George's economic thinking since his original idea was to set up a single tax on property or on rents to finance an unconditional basic income. We are dealing with this idea of a redistributive taxation on land. We are building an extension of the Judd model in an attempt at answering three questions:

- 1- Is it possible to fund a basic income with a property tax on land which correct both inequalities in ownership of land and capital?
- 2- The actual world is quite different from that of Henry George with the emergence of a vast middle class which becomes home owner when people are sufficiently old. Should the property tax also be borne by the "old middle class"?
- 3- In the likely case where the tax rate on the real estate cannot be politically accepted by landowners, is a tax on rents (without including imputed rents) second best?

#### *Reading list*

- George, Henry. (1881). *Progress and Poverty: An Inquiry into the Cause of Industrial Depressions and of Increase of Want with Increase of Wealth; The Remedy*. Kegan Paul (reissued by Cambridge University Press, 2009; ISBN 978-1-108-00361-2)
- Arnott, Richard J.; Joseph E. Stiglitz (Nov 1979). "Aggregate Land Rents, Expenditure on Public Goods, and Optimal City Size". *Quarterly Journal of Economics*. **93** (4): 471–500.
- Judd, K.L. (1985). Redistributive taxation in a simple perfect foresight model. *Journal of Public Economics*, 28(1), pp. 59-83.
- Ludwig Straub, Iván Werning Positive Long Run Capital Taxation: Chamley-Judd Revisited NBER Working Paper No. 20441