

## LAND & LIBERTY

Published by THE UNITED COMMITTEE FOR THE  
TAXATION OF LAND VALUES, LTD.

Forty-First Year.

Established June, 1891.

1d. Monthly. By Post 2s. per annum.

United States and Canada, 50 cents.

Editorial Offices

94 PETTY FRANCE, LONDON, S.W.1.

*All communications to be addressed to the Editor.*

Telegrams: "Eulav, Sowest, London."

Telephone: Victoria 4308

*Postage on this issue is One Half-penny.*

JULY, 1934.

### LAND VALUE A PUBLIC VALUE

The debates on the repeal of the land value tax, which are briefly reported in this issue, disclose two significant facts. The one is the poverty of the arguments against the principle; the other is that National Labour and Liberal members who normally support the Government were compelled to place on record their disagreement with this step. It might even be added that the speech of Lord Eustace Percy indicated certain qualms on the part of some Conservatives.

The Chancellor of the Exchequer said that representations had been made to the Government that the mere fact of this legislation "remaining on the statute book was actually interfering with the flow of credit into the land—was actually preventing or hindering the operations of landlords for the improvement of their property."

If this statement were true it would certainly be important, but it has no support either in fact or in theory. A tax which is imposed upon the value of land, and of land only apart from improvements, cannot prejudice people in improving land. A tax which is imposed upon the value of land, irrespective of whether the land is used or not, cannot prevent development. On the contrary, by requiring those who hold land unused to make a contribution on its value, such a tax must have the effect of stimulating the use of land.

The same kind of statement was made about the land value duties of 1909, that they had prevented the building of houses. Mr Lloyd George made the pertinent reply in the House of Commons that the figures of unemployment in the building trade had shown a steady decrease from 1909 to 1913, so that in March of the latter year they were one-third of the amount in 1909.

It may be that what Mr Chamberlain had in mind was that the existence of this legislation tended to reduce the price which could be obtained for land. If that be so, it was no injury to those who wished to develop land. On the contrary, the less capital the land-user has to part with in order to obtain land the more he will have left with which to improve it.

Sir George Courthope expressed a similar view when he said that "the interests concerned with the business and management of real property are profoundly grateful" to the Chancellor of the Exchequer. "It will be a relief to agriculture and industries of that kind." How the removal of a tax which did not apply to agricultural land could be a relief Sir George did not explain. Even if it had extended to agricultural land the fallacy is similar to Mr. Chamberlain's. A tax on land values cannot be a burden on agriculture or on any other industry. It merely diverts to the Exchequer some part of the economic rent which would have been received by the owner of the land. This is obvious when the landowner and the land-user are different persons. A little reflection will show that it is true also if they are one and the same person. Owners of

land do not make less out of it than they could get by renting it to some one else: they do not sell its products more cheaply than those who are tenants. If they have to pay to the State part of what they receive as mere owners, and would continue to receive if they let the land to another, it cannot possibly pay them to take the land out of use.

It is therefore entirely wrong to suggest that a land-value tax can discourage agriculture or any other industry. Perhaps Sir George did not really mean this. His reference to the gratitude of the interests concerned with the business and management of real property was probably a polite reference to the landowning classes. Yet even here we must be careful. There are many people who are owners of land who would be greatly benefited by the taxation of land values with a concomitant remission of, let us say, the burden of indirect taxation. This is particularly true of the many people who own the houses in which they live and the sites of those houses, or who own small-holdings, but are otherwise not interested in landowning.

More interest attaches to the remarks of Lord Eustace Percy who, while supporting the repeal, made a plea for the Government to tackle the problem constructively. He formulated the arguments for the taxation of land values under three heads. The first is that land should pay its full share to the revenues of the State. This is a principle of such vague generality that we need not waste time over it, except to remark that the implication of this statement seems to be that land (or rather land value) does not pay its full share at present.

His second principle was that "increment arising out of public activities or, at any rate, out of activities having no connection with the landowner should, in part, anyway, be paid over to the State." We may assume that Lord Eustace Percy had in mind some form of increment taxation, that is, a tax levied upon the increase of the capital value of the land at some date as compared with some previous date. This argument deserves a little more consideration, especially as it appears to have appealed to some speakers in other parties.

The whole of the value of land is an increment which arises, to quote another phrase of Lord Eustace Percy, "out of public improvements" and "out of other autonomous developments." It is all entirely unearned, and it is all maintained in existence by the day-to-day activities of the community. It is created by conditions which exist *now*. More than that, the capital value of land is the value of the right to collect economic rent in the future, and has no relation to the past. Any argument which will justify the taking of any part of the land value for public revenue because it is an unearned value (*i.e.*, unearned by the owner, though earned by the community) will also justify taking any other part. If it be said that only the increment over the present value should be taken because people have bought and sold land in the expectation of keeping it, then it may equally be said that they have bought and sold land in the expectation of reaping the future increment. No arbitrary dividing line can be drawn at any date.

The idea of taxing future unearned increment is merely an illogical compromise with the sound principle that land value is a public value. It is a compromise in which those who suffer by our present unjust system of taxation gain very little, for their prospect of redress is remitted to the distant future. In fact the advocates of "unearned increment taxation" really depend upon the vested rights theory—upon the assertion that if some people have profited by a wrong it is unjust to set it right. Once that argument is admitted, no wrong can never be righted.

The third argument alluded to by Lord Eustace Percy was "the desirability . . . of forcing land which is ripe for building into the building market." This argument he either disapproved of, or thought of little weight, considering apparently that the danger was of having too much building. His opinion on this point was evidently dominated by the view that this was "not really a taxation question or a question of social justice at all." Here is revealed the very narrow standpoint from which he views this problem. The question of the utilization of land is not merely for building; it is according to its nature for production of all kinds of foodstuffs and raw materials, and it is the foundation of every branch of production. Even in connection with building land is required not only for the site of the house, but for gardens and open-space, for amenity as well as for utility. Lord Eustace Percy implies that although the taxation of land values would make land available for purposes of utility, it would prevent its use for purposes of amenity. He overlooks the fact that it is precisely the holding of land out of use and the artificial enhancement of its price which makes it difficult or impossible to provide amenity.

But the criticism of this argument is more fundamental. The holding of land out of use is a question of social justice. It is a matter of primary justice, for it raises the question: are some men entitled to deprive other men of the opportunity of earning a living by depriving them of access to the only means by which men may make a living for themselves? This question is not to be evaded or trifled with. It lies at the roots of all social life.

While governments all over the world are dominated by the delusion that the world is suffering from over-production, and are devising means for restricting the production of wealth and making the means of life scarcer and dearer, the stark fact still remains that many millions of men are suffering from lack of food, clothing, house-room and all the essentials of civilized life, because they cannot obtain the opportunity of employing themselves. Side by side with that fact is the fact of natural resources of all kinds lying idle. One reason why land is lying idle is because we encourage its owners to keep it so by exempting them from taxation; another is because we burden all the processes and products of labour with an unjust and grievous weight of taxation.

This is indeed a question of social justice, and one which unceasingly cries aloud for remedy. The crime of the National Government in repealing the land value tax is not so much that they have condemned some to bear taxation out of their slender earnings that should have come out of the common pool of rent, but much more, that they have condemned millions of their fellow countrymen to bear for a still longer period the destitution, misery and heartbreak of involuntary unemployment.

F. C. R. D.