

NATURE'S BUDGET

The literature of land-value taxation has been enriched by many books and pamphlets from the pen of Dr James Dundas White. In his latest book* he studiously eschews the use of the phrase "land-value taxation," preferring to call the tax a "national land-rent." It will not be easy to displace a terminology which has been in use for more than 50 years. Any phrase which includes words in current use is apt to be coloured by the associations of the words used. Rent in common parlance includes rent paid for buildings and improvements as well as for land, and to qualify it by prefixing the word "land" will not entirely remove the ambiguity. The term "land-value" has become well established as meaning the value of land alone apart from improvements, and it is difficult to see how it can be improved upon.

The term "national land-rent" adds to the difficulty of explaining the subject. One would naturally expect it to mean the whole of the annual land-value, but as used by Dr White it means only the portion of the rent which is taken by the State. So in effect he describes a tax on land values as a "national land-rent," and a rate on land values as a "local land-rent."

Moreover, the term "national land-rent" conveys an implication of land-nationalization, and Henry George's proposal is not land-nationalization as that term is commonly used to-day. Although Dr White describes the proposal as one making the State a super-landlord, the functions of the State will be very different from those connoted by the term landlord. There will be no lease from the State, there will be no restrictions imposed upon the holder of the land except such as may be imposed upon him already by the law. All that the State will do will be to collect the annual land-value (or at the beginning part of that value). The pressure imposed upon the holder of land to use it to the best advantage of the community will be an economic pressure, but not an individual control such as the landlord exercises over his tenant to-day.

Apart from the difference of terminology, however, the first 70 pages of this work contain an admirable and lucid exposition of the economics of land value, of the rights of the people to share in this value, and of the benefits which would accrue to society if it were taken for public revenue. It is even better than anything the author has written hitherto, and that is saying much.

The latter part of the book contains an outline of the practical legislative steps which should be taken in order to secure land-value for public revenue. A number of these suggestions are based upon the Land-Value Tax clauses of the Budget of 1931, now repealed. Dr White criticises some of the defects of that statute, such as the omission of minerals and sporting rights from valuation and contribution, the exemption of tithe-rent-charge from contribution, and other points which were dealt with in these columns at the time.

Space does not permit of an examination of all the provisions which it is suggested should be included in the proposed legislation, but one or two call for special comment. Dr White advocates that where the land is mortgaged, the owner should be entitled to deduct the tax (or a proportionate part of it) from the mortgage interest which he pays. The objections to this are fundamental: it hopelessly confuses the distinction between rent and interest. Where the lender is in the position to call in the mortgage at short notice, he will

be able to avoid the provision by requiring the borrower to pay a higher rate of interest. On the other hand where the lender (as in the case of many building society mortgages) has bound himself to let the loan run for a long period he will be damnified. Moreover, when we consider the ultimate position which will arise when the community collects the whole of the annual land value for public purposes, the provision is seen to be palpably unjust. The only security for the mortgage would then be the improvements upon the land and not the land itself, and the interest payable under the mortgage could not possibly include any part of the land value.

Another proposal is that at the outset (*i.e.*, when the proportion of land-value taken for public revenue is small) the income tax under schedules A and B should be wholly abolished. Such a provision might easily place those who are now liable to pay income tax under these schedules in a better position than those who continue to pay income tax under the other schedules, for instance weekly wage earners. It is no doubt desirable to make houses tax-free, but is it not equally desirable to make earnings tax-free?

Only two pages are devoted to the question of local rating, and it is not altogether easy to follow what Dr White proposes. Apparently he contemplates that part of the national tax collected in the area of each local authority should be paid to that authority in substitution of the grants-in-aid which it receives. But as the grants-in-aid are not proportioned to the land-values of each district, it is difficult to see how a substitution can be effected if the land-values of each district are earmarked for the purpose.

He also suggests that if local rating of land values is introduced, owners of land should be empowered to add to their rents the amount of rates formerly paid by the occupier. It will be evident that where the occupier holds under a short tenancy, he may soon be able to readjust the position by striking a fresh bargain, but the occupier who holds under a long tenancy will be placed at an obvious disadvantage and will not be able to gain any advantage from the new system of rating until his tenancy comes to an end.

While we feel obliged to criticise these proposals, this is none the less a book which deserves to be read by all students of the question and we hope it will have the circulation it deserves.

F. C. R. D.

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* *Nature's Budget*. By James Dundas White. George