



LAND & LIBERTY

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Editorial Offices:

11, TOTHILL STREET, LONDON, S.W.1.

All communications to be addressed to the Editor.

Telegrams: "Eulav, Parl., London." Telephone: Victoria 7525.

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RATING RELIEF AND UNEMPLOYMENT

The Government's de-rating scheme has met with a more critical and hostile reception than any important legislative measure of recent years. The extravagant picture painted by the Chancellor of the Exchequer is receding into its true perspective. This measure which, he says, "represents two years of the best brain power and study that the governing instrument of this country can give to a great social question" is seen to be based on false principles and to be a mere sham instead of a true solution.

It is evident from the explanations of its principal supporters that the primary object was to deal with the problem of unemployment, which had been steadily growing in dimensions and urgency. Statesmanship that could leave nearly a million and a half British citizens unemployed year after year was obviously bankrupt. It was impossible to go on pretending for ever, in spite of all the facts, that this was due to the short-lived "general strike" of May, 1926. Something had to be done, especially as a general election was inevitable next year. The Minister of Health and the Chancellor of the Exchequer collaborated and produced this measure.

Its fundamental ideas were these. In the first place it proposed to mitigate the enormous burden of poor relief in those localities where unemployment was greatest by spreading the burden over a wider area. The authority to administer the poor law in future and to bear the burden of it is to be the county instead of the parish or the poor law union. In addition the block grant to be made by the Exchequer in aid of local revenues is to be calculated by means of a formula one of whose elements will be the amount of unemployment in each area. With the like object of reducing the rate burden in certain districts by spreading it over a wider area, it is proposed to transfer part of the

obligation for road maintenance from the smaller local authorities to the county councils. This in very brief outline is the one main feature of the plan, and it is evident that it is almost entirely a palliative and not a remedy.

The other main feature is the so-called "de-rating of productive industry." This no doubt is the Chancellor of the Exchequer's contribution to the hotch-potch. It is based upon a reminiscence of the arguments which he used in his radical years in favour of the taxation and rating of land values and the consequent reduction of rates and taxes upon improvements. But observe how different ethically and economically the two projects are. The Chancellor of the Exchequer's scheme is based upon the present rating system with all its imperfections. He takes the values upon which rates are at present levied and in the case of certain properties (of which the principal are railways, factories and workshops) he arbitrarily reduces the assessment to one quarter of its present amount. The result of this, of course, would be that, in order to carry on public services as at present, the rate levied upon the remaining properties would have to be increased. In order to mitigate this to some extent he gives a grant from the Exchequer which is derived in a large measure from the taxation of petrol imposed by his last Budget and in part from the other indirect taxes and dubious financial devices to which he has been in the habit of resorting. The net result is that the "relief of productive industry" is derived partly from increased rates levied upon householders, shopkeepers and other traders and partly from increased indirect taxation spread over the whole community, and borne (as all indirect taxation must be) mainly by the poorer classes of the community.

The rating of land values on the other hand is based upon a scientific principle. It distinguishes between the value of land and the value of the improvements which are placed upon the land. It recognizes that land-value is the monopoly value of an object not created by human labour and pre-eminently fitted to be a source of taxation. Taxation of land values does not add to the price which has to be paid for land, it is not shifted, it does not add an item to the cost of production. Taxation levied upon improvements, on the other hand, lessens the production of them, is added on to the cost of them, and is shifted on to consumers. Our present rating system is entirely based on the use which is being made of land. The better any piece of land is used the higher it is rated and the less it is used the lower it is rated. So that although land value enters into present rateable values to some extent, it only does so in proportion to the use which is made of each plot of land. It is therefore correct to regard the present rating system as a system of taxing the improvement or use of land.

This vicious method of assessment Mr. Churchill and his colleagues do not propose to alter, except that in regard to certain selected properties, while retaining the same basis, they propose to reduce the amount to one quarter, and in regard to one class (agricultural land) they propose to exempt it

entirely. The result is that the benefit of reduced rates for a portion of the ratepayers provided by general taxation and the other ratepayers is given equally to those who improve their land and to those who do not. It is given to the landlord who contributes nothing to production as much as to those who do produce wealth.

In the long run, and indeed in some cases very quickly, not merely a part but the whole of the benefit tends to go to the landowner. The reason of this is plain. There is nothing in this scheme to increase the available supply of land, on the contrary, in so far as it reduces the burdens imposed upon landownership it facilitates the holding of land out of use. But it is quite likely that it will increase the competition for such portions of land as are to have the rates lifted from them. So on the one hand speculation in land-value is made easier and on the other the competition for land is increased. The inevitable result is to inflate the rent of land. Accordingly, the increased rates levied upon the general body of small ratepayers and the taxation levied upon the mass of the community will be used to increase the already enormously swollen land-values of this country. One evidence that this tendency is already appreciated is the fact that the reduction of the assessment of factories and workshops is only obtainable by special application and in many areas not a third or a quarter of those eligible have applied. There is good reason to believe that they have not applied because they are tenants and they recognize that the reduction in rates will only mean a corresponding increase in rent. Another evidence is the already expressed opinions of estate agents, who as a class are not imbued with the principles of the taxation of land values.

The taxation and rating of land values has a directly opposite effect. It is levied upon land according to its full market value (irrespective of the improvements on it or the use to which it is put). Such taxation accordingly makes it unprofitable, and in fact impossible, to hold land out of use. Unused land is forced into use. The available supply is increased and the price which has to be paid for land drops. The user of land, however, pays no more, however much he develops it.

We are now in the position to ascertain the effect of Mr. Churchill's scheme on employment, the test by which he himself expects it to be judged. Productive work consists in the transformation of natural products obtained from the land into such forms as fit them to satisfy human needs. Increased employment of a productive nature involves, therefore, increased use of land. The Government's scheme, as we have shown, will induce higher prices for land, more speculation in land, more holding of land out of use. Its ultimate effect, therefore, is likely to be an increase of unemployment.

The taxation of land values, in contrast to this operates directly on employment by forcing land into use. It deals with the very elements of the problem by releasing the natural resources which are the ultimate fountain from which all wealth must be produced and all employment must spring.

F. C. R. D.

THE DAMAGE OF DUMPING

(By E. I. S. H. in the *Standard*, Sydney, N.S.W., August, 1928)

1st.—Engemar, who has left his wife in Norway, and has become a Queenslander himself, wishing to support the said wife, engages in the production of cream.

2nd.—Engemar's Queensland boss pays him with £5 Queensland money.

3rd.—Engemar gives the Queensland five pound note to the postmaster of Toowong, who gives him a money order.

4th.—Engemar forwards the M.O. to Marie in Norway, who first goes to the Norwegian Post Office and gets Norwegian money for it. She secondly takes this Norwegian money to a Norwegian shopkeeper and changes it for the necessaries of life which she consumes.

Now, so far, the transaction is complete. Engemar by producing cream in Queensland has fed and clothed his wife in Norway. But what about the Norwegian postmaster, who has given good Norwegian money for a Queensland M.O.? How is he to recoup himself?

Well, he does not have to wait long. Soon the Norwegian shopkeeper comes in with the Norwegian money Marie has given him, and says, I want to send £5 to Queensland for 50 lbs. of Queensland butter. The Norwegian postmaster gives him the M.O. Engemar sent to Marie (or another one) and the shopkeeper sends it to the Queensland butter merchant, who takes it to the Toowong post office and gets the Queensland £5 note that Engemar had paid in, or else another one.

Now, observe, no money has been sent out of the country, we have merely dumped 50 lbs. of Queensland butter into Norway. It was a free gift from Queensland to Norway. Engemar got nothing in return but the satisfaction of feeding his wife. He willingly worked half his time for nothing in Queensland that she might consume £5 worth of goods in Norway without working at all.

Now if all Queensland (without having absentee wives in Norway) were to follow the example of Engemar and periodically send £5 to someone in that country, there would be hundreds of thousands of pounds of Queensland goods exported to ("dumped on") Norway every year, without any Norwegian goods being imported into Queensland. We would enjoy (?) an immunity from the dumping of hundreds of thousands of pounds worth of Norwegian goods on our shores that no tariff has hitherto secured for us. Our exports would appear against our imports in the proportion of hundreds of thousands of pounds to nothing. The balance of trade would be said to be in favour of Queensland, and that Norway was suffering from an enormous excess of imports over exports. And Norwegian papers would write pitiful articles explaining how the dumping of Queensland butter was throwing their own butter makers out of work, and so swelling the ranks of the unemployed; quite oblivious to the fact that they were getting as much while unemployed as they were while working: that in fact all the Marias in Norway would have no need to work so long as all the Engemars in Queensland dumped the result of their labours into Norway. On the other hand the Queensland Engemars could afford to be unemployed half their time, if they gave up dumping butter into Norway, and then be as well off as when working full time. Nor is it easy to see how they would be injured if they continued to work full time, and instead of dumping their surplus into Norway for nothing, they required the Norwegians to send them the products of Norway in return, i.e., let Norway dump as much as she liked into Queensland.