

The inferences Mr. Post draws from PROGRESS AND POVERTY may quite simply be brought to that touchstone of political economy the law of rent. The "margin of production" is artificially depressed by two causes. One is the withholding of land from any use whatever, the other is the partial withholding of land from its best use due to restrictions placed on its development, not only by landowners themselves but also by the taxation that penalises or prevents improvements. Were taxation removed from improvements, all land could be used very much more effectively and all kinds of land would be made more productive. The result would mean an increase in the available opportunities for wealth production and therefore lower rents, always provided no land was withheld from use, an action on the part of landowners which in future would no longer be possible. Therefore it follows that the untaxation of industry and the taxation of land values would work, not in opposite directions, but in the same direction, by keeping the "margin of production" as high as possible, and rents as low as possible.

In regard to New Zealand, Mr. Post does not state the facts quite correctly. It is not true that "a large number of municipalities in New Zealand get all their local revenues from land value taxation." The Unimproved Land Value Rating Act of 1896 has certainly been adopted by some 120 local authorities, but this Act only allowed the rating of land values to provide revenue for some public services, charitable aid, hospitals, sewers, water, gas, and electricity being specifically ruled out. The Act was however amended in 1911, local authorities which have adopted the 1896 Act being empowered now to rate on land values for all purposes. Seventeen local authorities have so far adopted the amended Act. Mr. Post's error in regard to New Zealand is excusable, for it has crept into other publications on the taxation of land values and is even found in the British Blue Book (Cd. 4750) on the Taxation of Land Values in the Colonies, Mr. P. Heyes, the then Commissioner of Taxes, saying "the exemption of all improvements to... has to a large extent contributed to the solid prosperity of the Colony."

In view however of what we have said on the other and much more important points, we think it unfortunate that Mr. Post did not leave his OUTLINES as they were in the third edition, bringing them up to date only on matters of fact, and keeping them free not only from controversial questions but also from the new and somewhat strange matter he has introduced. But apart from these weaknesses his book is of the greatest value, and we have no hesitation in cordially recommending it to all who wish to be educated on the fundamental principles of the taxation of land values.

A. W. M.

THE ECONOMICS OF LAND VALUE.*

We have read Mr. Storey's practical and thoughtful book with a great deal of pleasure. He lays down as a practical proposal from which to commence his argument one which is almost identical with the policy of the Land and Taxation Reform Memorial. He proceeds to justify it in the usual way by arguing that land value is a publicly created value and that the taxation of land values would stimulate industry and employment; after this he goes on to a more elaborate economic inquiry, discusses the factors which determine the distribution of wealth, and considers the immediate and the more distant effects of the taxation of land values—or, to use the technical terms, the short period and long period results of the policy. He approves, if it is done gradually, of the idea of taking ultimately the whole of land value by way of taxation, but considers that this alone is not sufficient to secure an

equitable distribution of wealth and advocates in addition a "tax on net incomes," as being a quasi-rent or payment analogous to rent. It will be evident that in the space at our disposal it is impossible to traverse all the points raised and that our criticism must be confined to a few of the more important.

Naturally, we have no quarrel with his practical proposals, except in so far as Mr. Storey appears to favour (though this is not expressly stated) the collection of the rate on land value from the present ratepayers, that is occupiers, solely. It would be much more just and salutary to collect such a rate from the various persons interested in the land in proportion to the value of their interests. (See the Memorandum of the Land Values Group, printed in our last issue, p. 548.)

It is unfortunate that Mr. Storey, in adopting the former view, should so dissociate himself from the method now generally advocated by radical reformers and endorsed as the considered opinion of 173 Members of Parliament. This plan is not only more just than the other, but it has also the singular merit of being expedient and perfectly practicable.

Ambiguity in the use of the word "supply" may be noticed in several parts of the book. Economists usually mean by "supply" the quantity of goods which manufacturers can supply at a certain price, and by "demand" the quantity of goods which purchasers will take up at a certain price. Without mention (or at least implication) of a price, these words become indefinite and useless. The Law of Supply and Demand is valuable to explain circumstances in one branch of production with reference to the rest of industry. It is only capable of affording an explanation of particular facts because it assumes prices or costs determined by other facts; consequently it can hardly be regarded as a general and fundamental explanation of the distribution of wealth. As Henry George puts it in PROGRESS AND POVERTY (Book III., Chap. vi.): "It is perfectly correct to say that the wages in different occupations will vary relatively according to differences in the supply and demand of labour—meaning by demand the call which the community as a whole makes for services of a particular kind, and by supply the relative amount of labour which, under the existing circumstances, can be determined to the performance of those particular services. But though this is true as to the relative differences of wages, when it is said, as is commonly said, that the general rate of wages is determined by supply and demand, the words are meaningless. For supply and demand are but relative terms. The supply of labour can only mean labour offered in exchange for labour or the produce of labour, and the demand for labour can only mean labour or the produce of labour offered in exchange for labour. Supply is thus demand, and demand supply, and, in the whole community, one must be co-extensive with the other." We think that it is too great dependence upon this "law," or an entire misapprehension of it, which causes Mr. Storey to say that "the lower limit of wages for the least specialised and largest class of labourers is the smallest sum upon which they will be content to live." It is true that the wages of this class have at present fallen to this minimum, but not for the reason suggested. It is because the taxing of industry and the exemption of land value has led to such a misuse and non-use of land that the price of land has been forced up to a point so high as to take from labour all but this minimum. Wages of this largest and least specialised class are determined by what can be made on land where no rent, or only a nominal rent, is charged; in other words, by what can be made on marginal land. The taxation of land values would raise wages, as Mr. Storey himself shows, not only by remitting present taxes on industry, but still more by forcing unused land into use and so raising the margin, reducing rent, and increasing wages.

Although Mr. Storey has no objection to the taking of

* THE ECONOMICS OF LAND VALUE, by Harold Storey. Published by T. Fisher Unwin, 1, Adelphi Terrace, London, W.C. Price, 1s. net.

all rent in taxation provided it be done by easy steps, he considers that the Single Tax is not a sufficient solution of the labour question in its economic aspect. He argues that, if this is the sole mode of raising public revenue,

"Rich people will bear a much smaller proportionate burden of public charges than poor people," because, he says, "in the last analysis this is a tax on the consumption of goods." A man pays rent "for the small space of land that he personally occupies as a householder or shopkeeper or farmer. This is only part of the call that rent makes upon him. There is an element of rent in everything that a man purchases and consumes. The industry of the community produces a certain mass of wealth or goods; the final price at which the goods are purchased includes the rent of all the lands that have been occupied in producing them and bringing them to market; and therefore under this system of taxation some fraction of every unit in the mass of material wealth would pass into the national exchequer in the form of land value."

This argument is certainly very plausible and ingenious, but still we are surprised that so acute a writer as Mr. Storey should fall into this fallacy even though it is so plausible. In looking at the thing from this point of view *he is calculating rent*, at the very least, *twice over*. If it is said that there is an element of rent in the price paid for bread or eggs where does this go to? To the farmer, and ultimately to the landowner, where it appears in the rent of the farm. It is only paid once, but Mr. Storey counts it twice. He has fallen into the fallacy of arguing that rent enters into price. (See Mill's *POLITICAL ECONOMY*, Book II., Chap. xvi., § 6.)

He has also, probably, been led astray by the convenient habit of speech which makes us talk of the *taxation* of land values, and of the single tax as if it were a tax. In reality it is no tax at all. It is simply the payment which is made for an advantage attaching to land, and when it is deducted all producers are left upon a footing of exact equality. *It is an equalising factor*. At present, of course, landlords or non-producers collect the rent and it is, as far as their relation to producers is concerned, a cause of inequality. The object of the single tax is simply to take this equalising payment as the source of public revenue, and thereby to make it fulfil its purpose of equalisation of opportunity between *all* classes in society.

Mr. Storey's second reason for regarding the single tax as insufficient for the economic solution of the labour question is that certain wage payments contain an element analogous to rent. Certain men are highly paid because of their scarcity. "What a man receives out of the product of industry depends only very slightly on what he produces; it is determined much more by the relative number of people who are able and willing to supply the same kind of service that he supplies." In the first clause of this sentence Mr. Storey is misled by an ambiguity in the use of the word "produces." He is thinking of production either from an ethical or from a physical (or physiological) point of view, and not from an economic point of view. It may be quite true that the wages some men receive are ethically quite unmerited. There are people who would put a spirit-dealer's wages in this category. It may be, too, that there are men who receive ten or a thousand times more than others for the same physical exertion (so far as such a thing can be measured). But these cases are quite beside the point; a man is paid according to the contribution which he has made economically to production, and not according to the ethical or physical measure of the work he has done. What is wrong with distribution at the present time is that a small part of the contribution to production has to be attributed to labour and a large part to land, owing to the artificial scarcity of the latter factor caused by the holding up and under-utilisation of it.

Mr. Storey's analysis might have extended to the case of capital also, and it might have been shown that where a new and more efficient type of machinery is used by some firms in a trade they can reap a surplus or quasi-rent. But the essential point is that this surplus or quasi-rent is temporary and that, unlike land-rent, it is obtained not because population has been forced back to a less advantageous means of production but because some men have gone forward to a more advantageous means. Even if this surplus, quasi-rent, or "net income" can be measured, which we very much doubt, it would certainly be detrimental to society to tax it, because it is the dynamic of progress. It is the spur which leads men to research, invention, and the cultivation of their mental powers.

It is true certainly that when the single tax has been applied and the status of the lower stratum of society has been raised, the glaring inequalities of the present day will disappear. Wages being higher and opportunities of learning and culture being open to all, the genius and talent which at present is wasted and dormant will have the chance to express itself. More and more men will be discovered who are capable of performing those specialised functions which to-day reap enormous salaries, and gross inequalities will disappear. But there always will remain an economic advantage to the man who invents a more efficient process or performs a more efficient service, and, as far as we can see, it is essential for the progress of civilisation that this should be so.

We hope that our readers will not imagine from our criticism that we are totally at variance with Mr. Storey. This is far from being the case, but it has seemed more useful to indicate the points of disagreement than to catalogue the far more numerous points of agreement. This is a valuable and significant book. The author holds the important position of Secretary to the Yorkshire Liberal Federation, and his work may be taken as an indication of the direction which Liberal thought is taking in those great radical industrial constituencies. It shows too the hold which the idea of taxation of land values is taking on the minds of serious politicians. We cordially recommend this book to the attention of all land reformers.

F. C. R. D.

THE LAND AND YOURSELF.*

Mr. Horace B. Samuel has taken up his subject with insufficient preparation and reveals himself rather as student in need of instruction than as a teacher speaking with authority. A book which commences with the statement that "land is the mother and labour the father of all wealth," and adds in the next paragraph that "of all forms of wealth *land* is the most permanent," is scarcely worth perusal beyond the first page, but we have gone patiently through it to see what further entertainment we might obtain. Mr. Samuel is not only astray in his economics but his facts also are repeatedly incorrect. Scarcely a page is free from misstatement as, for instance, that in France "four-fifths of the soil is owned by its occupiers," a piece of nonsense that only the most ignorant writers would parade; that "the existing system of land tenure dates back to the Norman Conquest and the feudal system," the Norman Conquest having made no change in the system prevailing under the Anglo-Saxon laws; that the Budget of 1909 imposed a duty of a half-penny in the pound on the capital value of unworked minerals, the truth being that this duty was abandoned after the Budget was first introduced; as to the Increment Value Duty Mr. Samuel is evidently unaware of the Amendment made in March, 1911, which enables an owner to substitute for the value as at April, 1909, a site value

* *THE LAND AND YOURSELF*; a popular discussion of the Land Question and of proposals advanced for its solution. By Horace B. Samuel. Price 1s. net. Thomas Murbey and Co., 6, Bouverie Street, E.C.