

## THE PRINCIPLES OF WAGES DETERMINATION

(By PROFESSOR GISEBERT KAPP, of Birmingham, in a letter to the ELECTRICAL REVIEW, 28th October.)

In your leader on the above subject you advocate Whitleyism as the most likely method for arriving at a fair division of profits between Capital and Labour. Quite right, but let us first look at facts and see what margin there is for readjustment. Mr. F. Deutsch, Director of the A.E.G., of Berlin, presented to the Berlin Chamber of Commerce some two years ago statistics collected between 1908 and 1917 from 66 industrial companies, and he found that the average share of the profit obtained by the workers, both manual and professional, amounted to 76·7 per cent., taxation absorbed 11·7 per cent., and the capitalists' share was 11·6 per cent. Not much margin here for improving the workers' reward! But the position has worsened since the Armistice. Mr. Deutsch (as you will find in the E.T.Z. of 6th October) has now extended his investigations to 152 industrial companies, and finds the following ratio of division:—

Wages and salaries .. .. .	84·9 per cent.
Taxes and rates .. .. .	11·7 per cent.
Capital .. .. .	3·4 per cent.

Practically no margin for readjustment. I have no similar figures for English conditions, but it seems unlikely that here the margin will be appreciably greater. Before we can talk of fair division there must be something to divide amongst State, Capital, and Labour. This means that we must remove all restrictions to the production of wealth. There are many, but I will only mention one, and that is the most potent, namely, the private ownership of the land. Wealth can only be produced by applying mental and manual labour to the natural resources found on and in the earth, which is the storehouse from which every man either directly or indirectly draws his sustenance. Free access is therefore the primary essential for improving our social conditions. By free access I do not mean that the workers should simply rob the landlord of the land he claims unconditionally to control. The cure would be worse than the evil, as we see by the present conditions of Russia. What I mean is that the holding of land should be subject to the payment of a tax assessed in relation to its value in the open market, whether the land is left idle or let or worked by the owner himself. Such a tax can be imposed by Parliament, and in fact the 1909 Budget was a half-hearted attempt at such a policy, but it was dropped by the Liberals, and the complicated nature of the proposal with its many exemptions and restrictions would have made it unworkable. A tax if universally applied regardless of the size of the holding would not interfere with private enterprise, and would leave existing contracts undisturbed. It is true that it will require some time to get into working order, but if the nation were assured that it would be imposed without unnecessary delay, the public would very readily agree to provide (with the security of future prosperity) the necessary funds to help all industries to tide over the present time. Land value taxation is the true remedy for the social malady, and when this is achieved it will be time to talk of Whitleyism, co-operation, municipal trading or private enterprise and the fair remuneration of Capital and Labour.

Mr. Joshua Hughes, of Oswestry, in spite of his advanced years, continues to take a keen interest in promoting the Taxation of Land Values. He had two letters in the LIVERPOOL WEEKLY POST during October and has written also in the CEFN CHRONICLE. Mr. Hughes' activity can be taken as a stimulus to younger men.

## THE LABOUR PARTY'S RURAL POLICY.

The Labour Party, 33, Eccleston Square, London, S.W.1, has issued in pamphlet form "a statement of policy with regard to agriculture and rural life," which is called THE LABOUR PARTY AND THE COUNTRYSIDE. The pamphlet embodies the recommendations of the committee appointed by a special Conference held in London on 28th and 29th July last. Section X. deals with the revision of the

PRESENT SYSTEM OF RATING AND TAXATION in relief of the burdens on the occupier, and reads as follows:—

"The present system of assessment and rating produces, alike in law and in administration, inequalities of burden which are at least as injurious to agriculture as they are oppressive to the ratepayer. Improvements are positively discouraged. The burden of rates is often heaviest where it can least well be borne. Moreover, the freeholder, who may have contributed nothing to the result, succeeds, after more or less interval, to the whole of the increased value added to the land by the labours of those who work upon it, and by the mere increase of the nation in population and wealth. All these evils call urgently for reform. It must suffice to set out principles only, leaving the details to be worked out elsewhere.

"The Labour Party holds that the whole value of land—that is whatever cannot be shown to be due to actual expenditure of money or labour by the owner or occupier—ought to be public revenue; but until this can be secured by public ownership, the Party favours a carefully devised scheme for the Rating and Taxation of the Owners of Land Values, in relief of the occupiers, provided that adequate steps are taken to prevent the owner from securing for himself, either by raising the rent or the selling price of land, the benefits that are intended to accrue to the occupier or the community. The Labour Party holds, further, that it is suicidal for the nation to penalize, by increased taxation, occupiers of land who effect improvements which add to its value. Moreover, the present incidence of rating departs widely from the proper basis of 'ability to pay,' as between properties of widely different nature, for instance, in not distinguishing sufficiently between the occupation of dwelling-houses (which may be a rough index of 'ability to pay'), and the occupation of land or buildings, for farming or business (the rental value of which affords no measure of net income). This is, very largely, why the farmer as well as the smallholder finds his rates so high. Hence the Labour Party demands a drastic revision of the entire system of assessment and rating; incorporating in this revision (a) the bringing directly into contribution to both national and local burdens those who now derive rentals from land, or who keep out of use land having a marketable value; (b) a much greater Equalization of the burden of rates as between different localities and different properties; (c) the encouragement rather than the penalizing of durable improvements; (d) the greatest possible approximation to making the cost of local government fall in proportion of 'ability to pay'; and, last but not least, (e) such an increase and rearrangement of the grants from the National Exchequer as will place practically the whole burden of such essentially national services as education, lunacy and main roads on the nation as a whole, and further graduate the subsidies so as to relieve the ratepayers of the poorest districts."

We make a comment on this statement elsewhere.

In the House of Commons, on 25th October, Mr. Young informed Mr. Allen Parkinson that the total amount of Land Value Duties repaid under Section 57 (3) of the Finance Act 1920, was £837,110.