

LAND & LIBERTY

FREE LAND

FREE TRADE

FREE PEOPLE

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THE PRIME MINISTER ON ECONOMIC RENT

"FROM LAND ALL PRIMARY RAW MATERIALS ARE DERIVED. THE VALUE OF LAND OUGHT TO GO TO COMMON FUNDS AND BE SPENT IN THE COMMON INTEREST"

(Quotations from two books by the Prime Minister, the Right Hon. J. Ramsay MacDonald: "THE SOCIALIST MOVEMENT"; and "SOCIALISM, CRITICAL AND CONSTRUCTIVE")

THE SOCIALIST MOVEMENT, published by Williams & Norgate, price 2s. 6d., in 1911, has been reprinted three times, the last impression being dated October, 1923. In chapter III, Mr. MacDonald considers how various economic classes gain an income, and deals first of all with

THE RENT RECEIVER

"Income from land is not of the nature of reward for services rendered. It used to be. Land was granted by the sovereign to his captains who, in return for their possessions, rendered military service to the state, and in addition paid certain taxes so as to provide the king—who was the embodiment of the state—with what income he required. The land was then held in trust for the state, and that theory underlies the whole of our ancient land legislation and taxation. But as the character of the state changed, the land-owning trustee was transformed—or, strictly speaking, transformed himself—into an ordinary owner. His obligations were diminished and disappeared, his special taxation was whittled down and, though legal and judicial theory retained its ancient assumptions, the practice grew up of treating the land as the subject of ordinary private possession.

"Now, it is from the land that we derive all the primary raw materials. It is the soil which the agriculturist needs, it contains the ores and the minerals of all our vast mining, quarrying, smelting trades; upon it must be built our factories, our warehouses, our houses; it is still, with the exception of the high seas, the foundation of our transport industry. If it were closed against us, every industry in the country would be paralysed and we should die. Upon this fact, income from land depends. 'I can prevent you from working, from building, from mining, from living,' says the landowner. 'From the proceeds of our labour and our skill,' reply the rest of the community, 'we are willing to pay you to allow us to work, and build, and mine, and live.' And so rent is paid and the landowner gets an income. It was Adam Smith who wrote: 'Rent is not at all proportioned to what the landlord may have laid out upon the improvement of the land, or to what he can afford to take, but to what the farmer can afford to give.' (*Wealth of Nations*, chap. xi.)

"Some parts of the land have special values. Some land adjoins rivers, like the sites of London and Liverpool. The transport trades must use it or nothing at all. Rutland is useless for shipping companies; the

marshes around Leicester cannot be turned into docks. Some land contains certain minerals. Middlesex is of no value to a mining company desiring to put coal on the market. Some land is in the highway used by streams of people. A Buckinghamshire village is no use to a Whiteley. Some land is of one texture, other of another. The clays of the Thames Valley will not suit the requirements of Lincolnshire potato growers. Thus the differences in the quality of land and in its natural advantages determine where towns are to be, where different kinds of food are to be grown, where there are to be factories, where there are to be mines, where there are to be green fields, where there is to be a Black Country. This in turn determines that rents are to vary. But however much they vary, they are all of the same economic nature. They are the price paid to the landowner by the community—for it is really the community of consumers that pays and not the individual—to induce him to allow his land to be used at all.

"The owner of land is thus in the position of a man who holds the keys of life, and he consequently can exact a maximum toll as his price. He does so. Rent therefore tends to absorb every social improvement that can be turned into an advantage in the exchange market. A marsh outside the town is drained, up go rents; a tram-line is laid into the outskirts of a town, up go rents; a mining-shaft is sunk and a specially profitably seam of coal is struck, up go rents; the industrial prosperity of a town improves, up go rents; the people of a town acquire the habit of shopping in certain streets, up go rents; peasant intensive cultivation is shown to be profitable in certain directions, up go rents; free education is granted, up go rents.

"The amount of rent is determined by the capacity of the community to buy, not by the value of the services rendered by the owners. It is a measure of monopoly. That a community which has improved its streets and educated its people should allow the possessors of its land to secure for themselves the financial counterparts of these benefits can have no justification either in reason or in morality, whilst from the point of view of economy it is waste.

"Be it noted, however, that Socialism does not oppose rent, it only objects to rent belonging to private persons. These values are real. A shop in a frequented thoroughfare has a higher economic value than a shop in a back street; fine river loam has a higher agricultural value than sodden and heavy river clay; as the margin of

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cultivation widens the value of the old agricultural lands increases. Some one must benefit by economic rent. If it goes to the fortunate shopkeeper, as the advocates of leasehold enfranchisement used to claim, he is receiving something which neither his labour nor his skill created; if it goes to the farmer on the long-cultivated fields, he is receiving a benefit which he has not earned. Its origin lies in the nature of things; even when it arises in consequence of the expenditure of capital on, say, a street improvement or on a tram-line, it is much more than interest on capital. When Moses struck the rock, the water that gushed forth and the streams which followed his people through the wilderness in consequence, being far more than the reward of his labour, could not justly be subject to the economic laws of private property. When a London Railway Company laid its lines through Buckingham and opened out wide fields upon which part of the population of London might spread itself, it put fortune after fortune into the pockets of landowners and speculators. That was not done by the expenditure of the Railway Company's capital, because the company might have tunnelled Ben Nevis instead of the Finchley Hills and no new values would have been created. It was caused by the fact that there was a community ready to use the capital in the form of a railway and put itself in the power of the landowners who lay in wait for the exodus beyond Finchley and Harrow. The only just repository for such values is the communal exchequer. They are the natural source from which the cost of government and the development of communal action ought to be met. Every valid reason that can be urged in favour of personal property can be used in favour of communal property. The community has created the values, and it needs them in order to continue a free existence. But to-day they are handed over to private individuals who are parasitical sharers in national wealth." (Pages 56 to 61.)

CONSTRUCTIVE LEGISLATION

In Chapter VIII., Mr. MacDonald shows how "the Socialist starts upon his financial programme-making" and declares:—

"The type of unearned income is rent. Some of our critics keep dinning it into our ears that rent often includes interest when landowners have spent capital in developing their lands. The Socialist, however, does not forget that at all, and when he theorises about rent, he means real rent, and not rent plus interest. The Socialist therefore proposes to tax it, and when he is told that by doing so he is differentiating one kind of property from another, he replies that it is so, the reason being that land is differentiated from every other kind of property by its own nature. The aim of this tax is to secure the economic rent for the state, because it is the state that creates the value which economic rent represents. When the tax upon economic rent becomes substantial, the monopoly character of land will be destroyed, and it will be free for more general use than at present. Large estates will be broken up and more people will live upon the soil." (Page 159.)

SOCIAL VALUES AND LAND VALUES

A new edition of *SOCIALISM, CRITICAL AND CONSTRUCTIVE*, has just been published (Cassell & Co., Ltd.). In Chapter V, on "Distribution," Mr. MacDonald traces the growth of monopoly in land and declares that no Government that deals with the land can begin with any other thought than this, that land came within the scope of private property and was brought upon the ordinary commercial market by great and simple acts of wholesale theft.

"Our moral thoughts are usually cast ultimately into a theological form, and so the land reformers' case is generally opened by a statement like, 'the land is God's common gift to all.' Cast in its severely economic form, however, the point is equally effective. Rent is a toll, not a payment for service. By it social values are transferred from social pools into private pockets, and it becomes the means of vast economic exploitation. Of this injustice, urban land values are pure examples, and the practice of holding up land unpenalized by rates, and of valuation for rating purposes which is much below purchase price, are evidences not only of the political power exercised by landowners, but of the survival to this day of privileges to shirk public responsibilities claimed by them when they had the power, and continued by use and wont. . . . Rent is obviously a common resource. Differences in fertility and value of site must be equalized by rent, but it ought to go to common funds and be spent in the common interest." (Pages 156-7.)

The Land and the Unionists.—Mr. J. St. Loe Strachey, whose articles always command attention, writes on "The Land and the Unionists" in the *SPECTATOR* of 12th September. His article is in connection with others which have appeared recently from Mr. Christopher Turnor, and is avowedly in the interest of the Unionist Party. Mr. Strachey would have the State acquire, by compulsion if necessary, all land held in mortmain (by charities, local authorities and public bodies generally), paying for it in Government Stock. This scheme does not mean that Mr. Strachey has become a convert to the theory of Land Nationalization. On the contrary, the State, having acquired the land, is to re-sell it for smallholdings and allotments with a minimum of two acres. Payments would be spread over a period of about 64 years.

Thus the aim of the proposal is to get all land into as *individual* a form of property as is possible. Mr. Strachey says: "The Socialists mean to use the credit of the State, gradually to eliminate private property. My scheme is a scheme for using the credit and power of the State to *create* private property, and to increase its strength in the land. I make the suggestion with no desire merely to fight Labour, or to queer its pitch, but because I believe in the immense advantage of a system based upon private property—*i.e.*, upon the power of private property to support the most valuable thing in the social region, personal liberty, and also to create stability for the State."

Private ownership of things which are made by man may "create stability for the State" and may be consistent with personal liberty—much as this point is disputed. But that private ownership of land favours personal liberty is hardly confirmed by experience, and it has certainly not created stability for the State. Ireland has had long experience of land purchase schemes and is not yet an example of stability. But Mr. Strachey presumably identifies the State with the Tory Party, of which the landowner is commonly a supporting pillar.

Mr. Strachey happens to make the following reference to Denmark: "We are all saying, and rightly saying,