

payers £818,800 to take £155,480 from particular land-owners and give that sum to a comparatively small number of what are really specially privileged parties—privileged in so far as the great mass of the people will continue to be rack-rented and denied access to the common heritage.

The figures given for new holdings and enlargements authorised should be read with caution, for although a scheme may be "authorised" by the Land Court, that does not mean that the Board of Agriculture has been able to establish the holding. That is apparent in the figures given in the Report of the Board itself of new holdings, &c., occupied and is fully explained by the Land Court which states that "numerous schemes passed in 1915 and previous years have been abandoned during 1915, mainly, it is believed, in consequence of the serious liabilities incurred in connection with arbitrations." Of the total number of new holdings authorised, 32 were abandoned in 1915. In the same year schemes for the enlargement of 21 holdings were abandoned.

A. W. M.

AUSTRALIAN FREE TRADERS AND MR. W. M. HUGHES

We congratulate the Free Trade and Land Values League and our Sydney colleague, Mr. A. G. Huie, on the publication in the London DAILY NEWS AND LEADER, of 2nd August, of the following resolution, which was transmitted by cablegram:—

"Resolution carried on Monday night (31st July). That this annual meeting of the members of the Free Trade and Land Values League emphatically condemns the action of Mr. Hughes in advocating the Tory policy of Tariff Reform during his visit to the United Kingdom. We maintain that the verdict of history, experience, commonsense, and moral law is against a policy which causes incalculable injury to the nation adopting it and seriously hinders the progress of civilisation. We uphold the principle of freedom of exchange which has given the United Kingdom its great financial power to carry it through the greatest of all wars. We urge that it should be fully maintained, and that the necessary revenue should be obtained by the taxation of land values.—A. G. Huie, Secretary."

POPULATION MAKES LAND VALUE

The following advertisement is displayed in the street cars of Youngstown, Ohio:—

"The owner of Federal street frontage makes money every time a child is born or a stranger moves into Youngstown. Population makes value. Buy at the right value now."

Similar advertisements have appeared in other cities. The real estate men know how land values are created.

If the mere fact of a child born in Youngstown, or a stranger moving into town, enriches the landowner, then the landowner gets something that others have produced. These increasing land values should go instead to the population which makes value.

That is not a new proposition. Thirty-seven years ago Henry George showed, in PROGRESS AND POVERTY, that these values should go to the people through taxation. By abolition of all taxes, save a tax upon land values alone, the value created by population would be put into the public treasury, where it will benefit all.

Such advertisements as the one quoted, are a notice to the people of their folly in allowing publicly-created values to be privately appropriated. They should be shared by all.

—THE STAR, San Francisco.

VOLTAIRE AND THE PHYSIOCRATS

(The following account of the views of the physiocrats and of the controversy between them and Voltaire is translated from the sixth edition of M. Paul Leroy-Beaulieu's "Treatise on the Science of Finance"—Traité de la Science des Finances, vol. I., book ii., chapter 3. We do not, of course, commit ourselves to all the views here expressed.)

In spite of these arguments the single tax (*impôt unique*) was championed by a great school of economists, the physiocrats. We know what were the principles of these worthy philosophers. They thought that landed property alone yielded a net return (*revenu net*), and that in consequence it alone ought to be taxed. What they meant by a net return is rather awkward to say: for, although their illustrious leader, Quesnay, took it into his head to call manufacturers the sterile class, certainly an unfortunate term, none of them was so blind as to deny that the nation required forges, machinery, and well-woven garments instead of the plain skins of wild animals. They all recognised that the manufacturing profession often brought real benefits, greater than those of agriculture. We must not, therefore, interpret literally all the phrases of the physiocrats; they liked obscurity and strange terminology—a peculiar taste, but one that sometimes is habitual with philosophers. Doubtless, by this expression the net return from land, they simply intended to assert that property in land is the only form of property which, owing to natural differences of fertility and also owing to capital long ago incorporated in the soil, furnishes a sort of bonus, over and above the expense of working it and the normal interest on the capital used in exploiting it, which has no analogue in other industries. The more modern economists have called this kind of bonus the rent of land. It has a tendency to increase in countries where population is developing and civilisation is making progress; the revenue of the owner, even without any exertion or sacrifice, goes on increasing. Such is the theory which the physiocrats had vaguely envisaged, and which was clearly set forth at the commencement of the [nineteenth] century by the English economist Ricardo. . . .

However, admitting the theory of the net return or rent of land, did the physiocrats, in proposing a single tax on landed property, mean to assert that this kind of surplus furnished by the earth, over and above the expense of cultivating it and the interest on the capital expended, might without injustice be resumed by the State as a common property? Certain passages of several of them make one think that they had that idea. Le Mercier de la Riviere, for example, one of the most imprudent and solemn disciples of this school, maintained that the State is "by divine right co-proprietor of the earth." Some more recent economists, Rossi among others, have admitted that the rent of land, this bonus or surplus in excess of the remuneration of the labour and interest on the capital engaged, is an excellent basis of taxation; others have gone so far as to admit that the rent of land might without inconvenience be completely appropriated by the State. . . .

We do not think, however, that the physiocrats in advocating the single tax on land intended that the State should take the whole or practically the whole of this net return or rent of land. . . . The aim of the physiocrats was certainly not to impoverish the holders of land. On the contrary, they interested themselves on their behalf.

The true idea of the physiocrats, and one whose scientific value must be examined, is that all taxes whatever form

in the last analysis a charge on the owners of land. A tax on consumption, for example, has according to them the effect of diminishing the net price of the articles taxed and of reducing the production of them. Thus, it would be a mistake to regard the workman as paying the tax on wine, this tax being in fact borne, so say the physiocrats, by the owners of the vines who cannot sell the same quantity of wine as formerly except on condition of reducing the price by an amount equal to the tax, or who, if they wish to maintain the price, will be forced to restrict their production and give up a portion of their lands to more profitable culture. What has just been said of wines the physiocrats said of taxes on all kinds of commodities, on wool, for example, on tobacco, and even taxes on industrial products, and on the manufacturers or capitalists. A tax on the latter simply has the effect, they contended, of raising the rate of interest in proportion to the tax. Now as the landed proprietors are the principal borrowers, it is on them that the tax really falls. This is the doctrine of the physiocrats. . . . The landed proprietor who is, according to these eighteenth century economists, the only natural, and indeed the only possible, taxpayer has therefore an interest in avoiding all incidental expenses and in the State suppressing all indirect taxes by transforming them into a single tax on land. . . .

In the eighteenth century the proposal for a single tax was attacked with great wit and good sense by Voltaire in the tale entitled "The Man with Forty Crowns." . . . The man with forty crowns, that is to say with an income of £120 a year, relates his misfortunes to a philosopher. He supposes that the proposals of Le Mercier de la Riviere with respect to a single tax on land have been carried out; he makes fun of the jargon of this writer by borrowing from him the portentous and obscure phrases which are italicised:

"I can tell you that I have a piece of land, he says, which would be worth forty crowns net to me every year if it were not for the taxation imposed on it.

"Several edicts have been published by a number of persons who, having nothing to do, are governing the State from their own firesides. The preamble of these edicts is that the *legislative and executive power is born by right divine co-proprietor of my land*, and that I owe to it at least the half of what I eat. The immensity of the stomach of the legislative and executive power causes me to make a great sign of the cross. Let the power which presides over the *essential order of societies* have all my land. The one is even more divine than the other.

"The controller general well knows that I used to pay altogether twelve crowns, and that it was too heavy a burden and that I would have succumbed to it if God had not given me the talent to make baskets which helped me to support my poverty. How, then, can I give to the king at one blow twenty crowns?

"The new Ministers said in their preamble that only lands should be taxed, since all comes from the land, even the rain, and in consequence it is only the fruits of the land that should pay taxes.

"One of their bailiffs came to my house during the late war to demand of me as my contribution three *setiers** of wheat and a sack of beans, the whole being worth twenty crowns, in order to support the war which was being waged and of which I never understood the reason, having only heard it said that there was nothing at all to gain for my country and much to lose. As I had then neither wheat, nor beans, nor money, the legislative and executive power dragged me off to prison, and the war went on as best it could.

"On leaving my dungeon, having nothing but the flesh on my bones, I met a man with a chubby face and rosy

* An obsolete measure of about two bushels.

cheeks in a carriage and six; he had six lackeys, and paid each of them in wages the double of my income. His major-domo, as rosy-cheeked as himself, had a salary of 2,000 francs and stole from him 20,000 francs a year. His mistress cost him 40,000 crowns in six months. I had known him at a time when he was less rich than I. To console me he confessed that he enjoyed £400,000 of an income.—You pay then £200,000 to the State, I said, to support this profitable war that we are engaged in, for I who have only £120 have to pay a half.

"I contribute to the needs of the State, he said. You must be laughing, my friend. I have inherited from an uncle who made eight millions at Cadiz and Surat; I have not a foot of land, all my wealth is in loans and bills. It is your duty to give the half of your substance, you who are a landed proprietor. Do you not see that if the minister of finance asked me to assist the country, he would be a fool who did not know how to count? For, everything comes from the land; money and bills are only instruments of exchange; instead of putting on the gaming table 100 *setiers* of wheat, 1,000 oxen, 1,000 sheep, and 200 sacks of oats, I play with bags of gold which represent these disgusting commodities. If after a single tax has been imposed on these commodities I am asked for money, do you not see that this would be a double employment, that it would be asking twice for the same things? . . . Pay, my friend, you who enjoy a clear and net return of forty crowns; serve well your country, and come sometimes and dine with my retinue." . . .

The physiocrats however, made a reply to this criticism, which seemed to them superficial. We have before us an edition of Voltaire in which is reproduced the foreword and the notes to the edition of the "Tale of the Man of Forty Crowns," published by Kehl. . . . These notes are the product of a shrewd mind; they show some comprehensive knowledge; in part they are just; in part specious. This is the text of them: "This chapter (by Voltaire, which we have reproduced above), contains two objections to the establishment of a single tax: the one is that if taxation was based on land alone, the citizen whose income came from loans would be exempt; the second is that he who obtains wealth by foreign trade would equally be exempt. But (1st) suppose that the owner of capital in money derive from it 5 per cent. interest and that he is subject to a tax of one-fifth; it is clear that he draws only 4 per cent. If the tax is removed and levied in some other fashion he will have 5 per cent.; but the competition of lenders made it possible to find money at a rate really of 4 per cent., though it was called 5 per cent.; the same competition will therefore lower the nominal rate of interest to 4 per cent. Suppose further that a new tax is imposed on land, other things remaining the same, the interest on money will not change at all; but if you put a part on the capitalists it will increase. The capitalists, therefore, will pay a tax of the same amount, whether it falls on them in part directly or whether they are exempted. In truth, in the case where a tax on the capitalists is transformed into a land tax, those whose capital is lent in perpetuity will gain by the change so long as the capital is not repaid, and those whose capital is lent for a time will gain for a few years; but the owners of land will gain still more by the destruction of the abuses which any other system of taxation involves.

"(2nd) Suppose that a merchant pays an export duty in respect of merchandise exported, and that this duty is changed for a land tax; then his profit will appear to increase; but as he was willing to content himself with a less profit, competition between merchants will make it fall to the same rate by increasing proportionately the purchase price of the goods exported. If, on the other hand, a duty is payable on merchandise imported, and this duty is suppressed, competition will make the price of the goods fall proportionately. Thus in all cases the profit

of the merchant will be the same; and in no case will he really pay the tax."

It cannot be denied that these reflections, which we attribute to Condorcet, could only come from a mind both subtle and vigorous. They have a logic which seems compact and shows no defect. We do not think, however, that things take place exactly as the author of these notes asserts.

LAND BELONGS TO PEOPLE

By Henry S. Ford

A man lives on and from the soil as much as a tree does, the difference being that a man moves about. To deny my right to the soil is to deny my right to live.

As it is nature that made the land, so it is government which divides the land into sites. If the Government assumed the capacity to give away these sites absolutely, any dissenter of the present or of future generations could demand a redistribution. The sites were distributed for use, and through necessity, owing to the fact that it is impossible and undesirable for everybody to live on one spot.

Nature having made the land, and the Government the sites, who made the value of the sites? Value is determined by demand, and demand is determined by the natural or social quality of the site. If the site is a mine, Nature created the value. If it is a sky-scraper site, the entity that created the metropolis created the value of the site. That entity is the entire population of the city.

People congregate in urban communities to secure the convenience, pleasure and profit afforded by social and economic intercourse. While it is a desirable thing to live within the space occupied or influenced by the community, it is an especially valuable privilege to have the exclusive possession and use of the best portions of the communal area where the social and economic advantages are intensified.

What is created by Nature belongs to all of us by reason of the equal right and natural necessity of all men to use the earth. What is created by the community belongs to the community for the purposes of the community. Every citizen as a joint partner in the community has a real and assertive right in the social product as in his individual product, and he may demand an accounting. Any neglect of the Government to collect its peculiar and legitimate income, exposes the citizen to unwarranted taxation on his private industry and improvements. He has a right to insist on the collection of the ground rent, and its expenditure for his benefit on political administration and public works.

Private immunity from the payment of ground rent, and the private retention of rent collected from tenants causes rent to assume the form of capitalised land values, and leads to socially injurious barter and sale and speculation in the fundamental means of life. It causes the flow of enormous masses of public values into private pockets. It impedes the natural expansion of industry by forcing producers, before they can employ their labour and capital, to surrender their accumulations for the space and natural elements necessary to the use of the capital. It induces an artificial scarcity and a speculative enhancement of present value, by the anticipation of increased future value. It renders the use or the relinquishment of land largely a matter of caprice, and invites the entire impounding of vast treasures of opportunity. It constricts the field of human endeavour, checks enterprise, obstructs labour, and depresses wages. It cramps population, breeds slums and social demoralisation, and makes a hell in a Garden of Eden. It submerges a stratum of the population into

poverty, failure, disappointment, despair, and makes life for them a calamity.

It is the right and duty of the State to resume collection of the full ground rent so long defaulted. So far from the landlords being entitled to compensation, they are fortunate to be discharged of past delinquencies and of the resulting social privations.

In paying ground rent to the Government we will be paying it to ourselves, so that, to the people as a whole, land will be free, as Nature intended it to be. The rent will measure only the difference between the better grades of land and the poorest grade in use, and its collection will be no more than an equalising adjustment of rights and privileges. It will rob no one, for it is a natural and social surplus product, and does not trench on economic wages, or the earnings of the individual. It takes only what would otherwise go as unearned wealth to non-producers.

It will cause all land not adequately used to be thrown open to labour, for no man will pay rent for land and not use it. It will remove the necessity of capitalising on land; and having paid his rent, the occupant of the land has in so doing paid his taxes, and has relieved himself of a miscellaneous job-lot of penalties on his private industry.

Labour, which by the exercise of creative intelligence and manual skill renders all services and creates all capital and all wealth, will be given the fullest opportunity, and by the elimination of deadheads and parasites will be secured its full product.

The site-value tax, with its implied concomitants, will discover a new continent. It will break the fetters of the giant of industry, accelerate growth and expansion, create permanent prosperity, and elevate society to a nobler civilisation.—(Reprinted from the *GROUND HOG*, Cleveland, June 10th.)

READY SEPTEMBER 10th.

ONE PENNY.

NEW EDITION OF

Free Trade and Land Values

By FREDERICK VERINDER,

General Secretary, English League for the Taxation of Land Values.

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