

prevents anyone from monopolising natural or social opportunity and, consequently, opens up opportunity equally to all.

From the 1840's to the 1860's successive Ministries hoped that by revenue, not Protective, customs duties and by rigid economy they would be able to repeal Income Tax. But the need for revenue steadily grew and eventually it became necessary not only to retain the tax but to raise the rate. The politicians' attitude gradually changed from apology to justification, especially after the franchise had been extended to the working classes. With no shadow of P.A.Y.E. on the horizon the poorer classes were encouraged to believe that graduated income tax was a panacea for curing poverty by redistributing wealth. Political appeal fell to a lower pitch. Taxation was openly described as a "weapon" for use by one class against another. Respect for such a law could not be maintained. People's minds were prepared to accept politics not as a matter of legislating for the good of all, but as a scramble to obtain favour for particular classes and sections. This decay reached a notable stage when in 1932 Great Britain fell back on the discredited system of Protective tariffs. Shortly afterwards Mr. Arthur Chamberlain, a business man and relative of the Prime Minister, remarked that in one afternoon, by negotiating tariff, a man could make more money than in a year of honest work. Through the dishonesty of protective tariffs, quotas, exchange controls, subsidies, price rings, labour restrictions, trade union monopolies, exploiting welfare regulations, etc., the hint has reached an ever-widening circle of potential criminals, especially the generations grown up in the atmosphere of protection and gilded pauperism. If a pressure group can do it, why not a private practitioner? The hardships of poverty have been transferred from the organised workers to pensioners and others on fixed incomes, not embodied in the strongest pressure groups. But this supposed solution of the poverty question has not brought respect for the law and it raises the problem of an ever rising cost of living. Respect for the law can be

revived only by reversing the whole process, beginning by introducing the principle of justice into our tax laws. This is the only cure for the crime wave.

Some might object that this method would be slow, almost imperceptible in its effects and that it could never change "born criminals." These hypothetical objections cannot be logically refuted. It can be shown, however, that where the law grants no favours "born criminals" in a surprisingly short time begin to act like good citizens—and this without any psychological treatment.

In the 1830's a small community established itself on an island at the entrance to Spencer's Gulf in South Australia, its members maintaining themselves by hunting seals and exchanging the skins for other commodities with passing ships. These sealers consisted of convicts escaped from the penal settlements of Tasmania and New South Wales, and mutinous sailors who had deserted ship. They were, in fact, outlaws: hardened criminals whom legally the neighbouring Governor at Adelaide should have arrested and punished. But Governor Grey, later Sir George Grey, who began life by running away from school and entered the Colonial Service by accident, was unorthodox. "I never judged it my business," he said later, "to interfere with those sealers. They kept the peace among themselves and did not come into contact with the settlement at Adelaide." In amicable conversations with their chosen leader he was impressed by the good management of their little society. Property was sacred, and they were averse to violence. Any transgressor was merely transported for a time to a neighbouring island where there were no seals and he had to maintain himself more laboriously by fishing†.

Where natural opportunity was open to all, and the laws were just, "born criminals" became eager to maintain the laws and solved the crime problem without imposing any penalty on law-abiding citizens. They preached the gospel of honest work more effectively than all the exhortations.

F. D. P.

† James Milne, *The Romance of a Pro-Consul*.

## RETIRED JUDGE CONDEMNNS INCOME TAXATION

### Statement to the Central African Government by the Hon. F. A. W. Lucas, Q.C.

The Federal Government of the Rhodesias and Nyasaland recently appointed a Commission of Enquiry to investigate the working of the Income Tax Act, 1954, and the Territorial Surcharges Act, 1954. By public advertisement in the *Central African Post*, setting forth a very extensive schedule of questions for reply, the Government invited helpful opinion from all quarters.

The HON. F. A. W. LUCAS, Q.C., former Judge of the Supreme Court of the Transvaal, in a written submission to the Commission, has made the following recommendations, dealing in particular with paragraphs 1 and 2, under the heading "A—General" of the prepared schedules:

"In my opinion the present system of taxation does not achieve a fair and equitable distribution of the burden of taxation while it exercises an adverse effect on the economic development of the Federation.

"It is notorious that income tax bears more harshly on persons with fixed incomes than on others. Despite the most careful enforcement of the provisions of the income tax legislation a great deal of fraudulent evasion takes place. Because of the temptation to make false returns in connection with income tax the community pays a fearful price in the consequent lowering of moral standards among

its members. As, however, notwithstanding this danger, the State seems prepared to continue to levy income tax, I shall proceed to make my submission on the basis of such continuance.

"Just as with any other tax on commodities produced by human labour or industry, the tendency of income tax is to hamper industry and raise the cost of living. In this way it has an adverse effect on the economic development of a community, especially in a young country. When the tax is almost confiscatory, as it is in Great Britain still and as it was until recently in the South African Union, the effect has been to destroy much of the incentive to work and produce, a state of affairs which is obviously against the interests of the community. In general a tax on commodities is destructive. A tax on date trees in Egypt led to their destruction and a tax on windows in England caused many people to brick up their windows.

"Income tax tends to raise the cost of living in several ways. A lender to the State or to a private individual requires a higher rate of interest than he would if there were no tax to take away part of what he receives in interest. The grocer or farmer requires a higher price for his goods than he otherwise would do so as to give him the net yield he feels he should have.

"As a means of mitigating these adverse effects of an income tax I suggest that the scope of taxable income be altered to include the annual or rental value of all land in the Federation exclusive of the value of any improvements in, on, or under the land and irrespective of whether it is being used or not.

"There is nothing in this proposal which is incompatible with the principle of taxing incomes. The businessman or industrialist who carries on his undertaking on his own land has an income which includes the rental value of that land. The profits of a similar business carried on on rented land would be less by the amount of the rent than those of the man working on his own land. Even when land is being held out of use, which is in itself something which is contrary to the interests of the State, the owner of such land is receiving every day from the State maintenance of the value of his land. For that he should make some return to the State. The value of buildings or other improvements on the land should not be included in taxable income as a tax on them would be a tax on industry and enterprise which would be detrimental to the interest of the community.

"The value of land is a value created solely by the community and not by the owner who may and in many instances does live outside the country. Without the presence and activities of the community the land would have no value. That value is thus also maintained from day to day by the presence and activities of the resident population. It is, therefore, clearly an ideal subject for taxation. It would be merely the taking by the community for its use of a portion of what it itself has created and maintains. Any payment made in respect of land values would be a direct return to the State for services rendered by the State to the taxpayer, on a par with a payment to a carpenter or miner for work done by him.

"Income tax as it is now levied is an arbitrary seizure by the State of a portion of an income produced by the labour and efforts of the taxpayer, without any regard to the services he receives in return from the State.

"The value of land is one thing above all others which should impose on its possessor the obligation to contribute to the upkeep of the State. Strangely enough it is the one fit subject of taxation which almost all governments leave untaxed.

"A tax on the value of land has to be borne by the owner of the land. It cannot be passed on. All economists agree on this. A tax on commodities can be and almost always is passed on to the consumer. In such ways as I have mentioned above income tax can be passed on to other people's shoulders besides being capable of being evaded by dishonest means. A tax on land values cannot be evaded. The value on which the tax is levied is publicly known and so there is no room for fraud as there is with income tax.

"A tax on land values causes competition between land-owners. It brings pressure to bear on them to use or make better use of their land or permit others to use it. In this way it reduces the price or rental and so reduces the cost of living. It helps to destroy the speculative and monopoly value of land as distinct from the true value. It satisfies all the canons of sound taxation. Thus:

1. It bears as lightly as possible on production and in fact encourages it.
2. It is easily and cheaply collected and falls on the ultimate payer and takes as little as possible in addition to what it yields to the government.

3. It is certain and gives the least opportunity for tyranny or corruption by officials and the least temptation to lawbreaking and evasion by taxpayers.
4. It bears fairly on all citizens because they all contribute to the creation and maintenance of land values.

"I suggest that all the land in the Central African Federation be valued, excluding the value of any improvements in, on, or under it, which have been made by the owner or his predecessors in title, and that the taxable income of every person who owns any interest in land be deemed to include the annual or rental value of that interest.

"The valuation of land would have to be undertaken but this should not be a difficult or expensive task. Many parcels of land change hands each year, the parties having no difficulty in arriving at an agreed price. At first a rough and ready valuation would suffice, but year by year more accurate valuations could be made. Very little harm would be likely to be done as a result of initial errors in the assessment. Material discrepancies could be adjusted later. When once the valuers have had time to value on a scientific basis, the work of keeping the roll up to date would be comparatively simple. The valuation rolls of local authorities could be taken for values of plots in their areas. All land companies and estate agents could be required to report details of all sales of land with which they had had to deal. The experience of the chief valuer in Denmark could no doubt be drawn upon by the local valuer to assist him in preparing an accurate roll. Denmark has an excellent system of valuation.

"A general valuation for the whole country would be of considerable value to the Government, local authorities, and the public as a whole. As everybody has to live on land the interest of the general public would be enlisted in seeing that the valuation was made and kept as accurate as possible."

#### O. B. SWEENEY

We regret to learn of the death on January 1, after a brief illness, of Mr. O. B. Sweeney, a leading member of the Merseyside Branch of the Land-Value Taxation League. Mr. Sweeney first entered the Geogist movement in 1930, when he was attracted by the window display in a central shop opened by the Liverpool League. He bought some literature, came back to argue, and was fully converted. Soon he was writing numerous letters and articles for the press and speaking at meetings on behalf of the League. He persuaded the editor of the *Birkenhead News* to accept a weekly double-column feature headed "Our Economic Forum by O. B. S."

Mr. Sweeney never ceased to support the movement and to the last regularly attended League meetings.

#### JOHN ORR

Many of our older readers will remember John Orr who until he retired from the United Committee, to take up work as adviser and field researcher with the Manchester University Agricultural faculty, was closely associated with the publication of *LAND & LIBERTY* and the Press Bureau. He was graduate M.A. of Glasgow University. He gave himself to the movement as a young man and throughout his life remained devoted to it. On January 15 he died (aged 82) at his home in Kilreggan, Dumbartonshire. We with his many friends join in sincere sympathy to his widow Mrs. Elsie Orr and his sister Mrs. John Paul in their bereavement.