

THE PRINCIPLES OF LAND VALUE TAXATION

As Explained to Oxford University Students

In the *Oxford Guardian*, 16th May, organ of the Oxford University Liberal Club, an article appears "A Tax on Land Values?" by a writer whose name is not given. In reproducing a large part of this article we would like to congratulate him and at the same time give our acknowledgments to the Journal that published it.

IN A WORLD run mad some of us retain sufficient faith in human nature to suppose that it is not an inherent greed or cruelty but poverty and the fear of poverty that unites men behind ambitious leaders in deeds of treachery and blood; that to eliminate poverty is to eliminate most social and political problems.

The cause of poverty, if it is a radical one, must be some defect in the two basic factors of production and their fundamental inter-relations—in human labour and the natural resources to which it is directed.

No one believes any longer with Malthus that the natural resources of the world are inadequate for our needs; nor denies the fitness of most men to maintain themselves in reasonable comfort. But put a perfectly developed race in a perfectly productive world, and exclude it from these natural resources, and it will perish utterly. If one man could control these resources the others would be his slaves.

You cannot begin to live without the products of the soil. And without spacial extension you cannot build your factory or dwell or move. Land is life. If men could appropriate it the landless would be as much their slaves as if they owned the air and sunlight as well. And our whole economic structure is founded on such a system.

A LOGICAL CONCLUSION

In a State where there are no tenants and free land is available, an increase in population or improvement in the methods of production benefits the whole community; for production is more efficient and labour therefore secures a greater return. On the other hand more land is needed. An increased population demands not only more living-space but more goods; and these can be produced only by application of labour to land.

Improved methods of production cheapen and increase the demand for goods; which again entails a greater demand for land. Land of inferior productivity or location must eventually be used. But unless the inferiority is very great, it will be off-set by the improvement in production and, although the land in use will have become comparatively more valuable, the newly-occupied land will involve no actual loss to labour.

LAND VALUE AND PRODUCTION

This comparative superiority with which the occupation of inferior land invests lands already in use is the land value or economic rent. It represents the difference in productivity between a piece of land and the least productive land in use. The owner-producer would not, of course, distinguish part of his produce (agricultural or industrial) as land value. But for the tenant land value would have a practical significance. It would, in effect, be what he paid for the use of his land: except that the measure of land value would be not the least productive land in use but the most productive land available free of rent. (There would in practice be little difference.) For the owner could not expect to leave the tenant less than he could earn on the best rentless land.

An increase in population or improvement in productive methods, in so far as it made production more

efficient, would benefit the tenant. In so far as it compelled production on inferior land it would increase the difference between the tenant's land and the least productive land in use and so benefit the landlord in higher rent. If the rise of rent cancelled the advantage derived from more efficient production the tenant would gain nothing. If it exceeded it he would actually lose. So the increase in productive power tends, not as it should, to benefit, but to depress the tenant-producer. Whether or not he in fact loses he must pay an increasing *proportion* of his earnings to a man who produces nothing.

A CHRONIC STATE

Suppose now that, as in this country, no free land is available. The would-be producer must pay for the use of land. So long as the landowners provide sufficient land for the needs of the community the result would remain as described.

But suppose the landowners should not choose to provide the land that is needed. Land will be an object of competition. Every increase in population, every improvement in production, will intensify that competition. The landlord need no longer bargain with the tenant. The landless will out-bid one another for access to what is their life. An increasing proportion of the produce will be paid as rent. Since producers are usually tenants, industry will be crippled. Wages will be depressed to starvation-level and men thrown out of work.

Improved production will bring not the extension of industry but the reduction of personnel. As soon as the improvement becomes general any profits that arise from it will be transferred to the landlord. The unemployed will find no new industries to absorb them. For enormous rents, the decreasing return to capital and perhaps heavy industrial taxes will discourage the establishment of new concerns.

A wedge will be driven through society and forced home by every hammer blow of industry. Above it wealth increasing beyond human needs; beneath it men driven to starvation.

CAUSE AND EFFECTS

Are these not the very symptoms of our own sickness? But what of the cause? How should landowners hold land idle, whose livelihood demands its use? But in fact it is profitable to do so.

General progress (we have decided) increases land value. The speculator buys land and holds it out of use until he can sell it at a profit; and if the land is in the way of a railway, road or town the profit can be enormous. And unused land escapes the heavy taxation imposed on land in use. Even when free land is available the speculative withholding of sites compels an earlier use of inferior land than would otherwise be necessary. Rent is increased suddenly for the land already in use and outstrips the benefits of improved production, which normally exceed the rise in rent. Hence a sudden check in industry.

When there is no free land the result is even more catastrophic. So the progress of industry prepares its own ruin; and a shock to one industry will throw out of gear the whole of the infinitely complicated economic machine. This is the primary cause of industrial depression and not that over-production or over-consumption which are different aspects of a mere symptom.

A PUBLIC TRUST

These evils must be overcome together—the private appropriation of ground-rent which takes from the producer the profits of improvement and even reduces his earnings, and the speculation in land which accelerates that steady depression into an avalanche. It is monstrous that the idle should fatten on the worker.

There are two great democratic principles of justice : That every man is entitled to equal opportunities and to the produce of his labour. Neither of these principles permits the private appropriation of land value. And can there be a greater right to property in land than in air or sunshine? The law itself denies that there can. The land is given as a trust to the whole people.

THE REMEDY

We must not break the monopoly by a redistribution of land. The evil would recur and we should create an injustice that the monopoly avoids. The landlord leaves the user of superior land no more of his produce than the user of inferior land. And if a man is entitled to equal opportunities and the produce of his labour—if, that is, equal exertion is to have equal reward—the reformer must achieve the same result. To do this he must appropriate the land value. But the land belongs to the community and its value is created by the community. So let the State assume the land value it creates and, in using it for the benefit of all, reduce the existing taxation which penalizes industry and improvement.

The name suggests a petty reform in taxation, instead of the silent revolution it is. And the former is the view, that, for all their enthusiasm for it in 1909, the Liberals seem now to take of it. It is true that the tenant, the householder, the shopkeeper will pay less in rents, rates and taxes. But what is this to the idealist who sees in the reform an economic, social and moral rebirth, a lasting democracy based on justice and plenty, a race of giants fired with the patriotism of humanity?

The use of superior land will then give no unfair advantage. The community and not the non-producer benefit from improved production. The land value will be taken alike from used and unused land and make it unprofitable to keep land idle for speculative purposes. The reform may be passed in the Budget as a tax on land values ; and the tax can be small at first and increased as found expedient. In thus avoiding violence and superfluous State interference, political and economic disturbance, it is an eminently Liberal measure.

This is the Taxation of Land Values, the reform devised by the American economist, Henry George.

HALF A TOWN SOLD

Duke of Norfolk and Littlehampton

AN ANNOUNCEMENT appeared in the Press on 17th June that the Duke of Norfolk was selling his estate at Littlehampton. The price and the name of the purchaser were not disclosed. The town of Littlehampton has a population of 12,000 and covers an area of 2,915 acres. *The Times* says that "the estate consists of more than half the town." This agrees with a statement in the *News-Chronicle* that the transaction involves 1,500 acres and that the estate "includes the greater part of the residential district, sea front land and undeveloped property round the town." It adds that "in 1931 the Duke negotiated for the disposal of the property, but the deal was never completed. A price of several million pounds

NATIONAL CONFERENCE

Liverpool, 30th September

A National Conference to promote the Rating and Taxation of Land Values will be held in Liverpool on Saturday, 30th September, under the auspices of the United Committee and of the Liverpool League for the Taxation of Land Values.

This Conference is not intended to supersede the gatherings arranged in various centres to celebrate the centenary of Henry George's birth on 2nd September, but to be a supplement to them.

The afternoon session will be devoted particularly to problems of local taxation. Invitations to this will be issued to local authorities as well as to political associations, trade unions, co-operative organizations, and other bodies interested in public affairs.

The evening session will be devoted to the wider national and international aspects of land value taxation in relation to unemployment, poverty, freedom of trade and international co-operation.

As the conference will be held shortly before the borough elections on 1st November and perhaps not long preceding a general election of Members of Parliament, its importance will be realized, and the support of all interested to make it a success is invited.

After the meetings in Liverpool it is proposed that those interested shall adjourn to Southport, where discussions can be continued in pleasant surroundings on the Sunday and an opportunity afforded for closer contact and conversation between supporters of the movement.

The venue of the meeting at Southport will be the Victoria Hotel. The terms on which accommodation may be had there are as follows :—

Supper and Bedroom on 30th September, Breakfast, Lunch and Afternoon Tea, 1st October. Per head 15s.

Supper and Bedroom on 30th September, Breakfast, Lunch, Afternoon Tea, Dinner and Bed on 1st October, and Breakfast on 2nd October. Per head 27s. 6d.

Southport is a short distance from Liverpool by electric train, and for those who desire to stay in Southport prior to the meetings in Liverpool on Saturday, the following terms are available :

Supper and Bedroom on 29th September, Breakfast, Supper and Bedroom on 30th September, Breakfast, Lunch, Afternoon Tea, Dinner and Bedroom, on 1st October, Breakfast 2nd October. Per head 37s. 6d.

was mentioned."

It will probably make little difference to the inhabitants of Littlehampton whether they pay rent to the Duke or to someone else. The price paid, whatever it may be, is the value of the right to levy toll upon the citizens for permission to live and labour in the town. It represents no value that the Duke or his ancestors have created. It is entirely a value which has been caused by the industry and expenditure of the community, and not a penny of it goes to help pay for the local government of the town and the upkeep of its streets and sewers, water supply, public health services, fire protection, band stand and esplanade, and all the other services which are necessary for the life of the community and without which the owner of the land would not be able to draw handsome rents from it.