

LAND VALUES TAXATION v. LAND PURCHASE.

By J. W. GRAHAM PEACE.

From out of the discussion presently ranging over what is generally, if vaguely, referred to as the Land Question, two distinct and directly opposing policies emerge.

Land Values Taxation, and
Land Purchase.

The advocates of purchase at the present time are:—

The Conservative party,

The Land Nationalisation Society with them, as the lawyers say,

The Socialist party.

The Conservative party approach the question with a firm belief in the advantages of landlordism.

Briefly, their proposal is that the State, by means of Credit Banks, shall assist a limited number of persons to acquire the freehold of their respective plots. In this connection much has been made of the "magic of ownership" by those who fail to see that there is no magic in ownership *qua* ownership, and that the magic which, as in Ireland, for instance, has produced so great a change in the condition of the peasantry lies in the sense of security of tenure and freedom from the fear of having his rent raised upon his own improvements which ownership gives.

Given that sense of security, with the right to recover on quitting compensation from the incoming tenant for unexhausted improvements, and, as is amply proved by the evidence given before the Departmental Committee on Tenant Farmers and Sales of Estates (Cd. 6030), the tenant will prefer to keep for use upon his land the capital which would otherwise have to be sunk in its purchase.

This much however is certain, a policy of State-aided small-ownerships would, in so far as it was carried into effect, greatly enhance the value of the large ownerships remaining, while enabling such landlords as desired to sell to get rid of their land at inflated prices, a fact which I imagine has not altogether escaped the notice of some at least of those who advocate this particular policy.

It should also be noted that there is a very real danger that, in course of time, by reason of sales, foreclosures, &c., the land will again be concentrated in a few hands and the process of State-aided purchase have to be repeated.

As advocated by the Conservative party, State-aided purchase of land, with a bribe of public money to the present owners, and a State subsidy to housing, is the policy of the landlord party for landlords.

The Land Nationalisation Society approach the question with an equally firm belief in the disadvantages of landlordism.

They make out a strong case for its abolition, if not for the method by which they propose to bring this about.

Stated quite shortly, they propose that Government Land Bonds be issued in exchange for the land. The amount of this new debt being admittedly under-estimated by them at £2,500,000,000. The interest payable to the former landlords would, during the first ten years, absorb the whole of the annual rental. The automatic increase in land value would, they estimate, enable the State to redeem the Bonds in just over 66 years.

This is an estimate, and may or may not be justified by the result. It is, however, clear there can be no relief from present burdens until after the redemption of the Bonds.

A Land Department is to be set up, with an army of officials to control the land. This must mean an additional burden of taxation. As a set-off to this we are encouraged to expect great things from State control.

What measure of control will the State be able to exercise while all the improvements (buildings, &c.) upon the

land remain in private hands? It would be as impotent then as now. The owners of the improvements would be masters of the situation, and, in the end, would compel the State to buy them out.

When this stage is reached a very great step in the direction of the "socialisation of the means of production, distribution, and exchange" will have been taken. It is doubtful whether, outside the ranks of the Socialist party, many of those who support this policy quite appreciate whither it leads.

Land Nationalisers say, "The right of access to land is fundamental. It belongs to all men equally, irrespective of rank or occupation. In essence it is the right to life itself." L.N.S. TRACT, No. 90.

Having shown conclusively how great is the injury the people suffer through the denial of this "right," they ask the injured people to submit to the additional injustice of being compelled to buy back the right to live.

While in complete agreement with the Land Nationalisers as to the nature and extent of the evils which flow from the existing land system, Land Value Taxers reject their proposal that the State should buy back the land on the ground that, besides being unjust, it is unnecessary.

It is not the ownership, they say, which matters, it is the use. Neither is there need for control. Freedom to produce and to enjoy the full fruits of his labour is all that man requires, and this they claim can be secured to every man, not by the imposition of additional taxation, but by untaxing improvements, the result of human labour, and taking instead for public purposes the enormous tribute of unearned rent now being appropriated to private use by the landlords.

This can be accomplished by using the valuation now proceeding as the basis of both national and local taxation. The revenue thus obtained to be applied in substitution for the present rates, taxes, and duties. The change to be made gradually, each increase in the Land Value Tax to be accompanied by a corresponding relief from other forms of taxation.

The beneficial effects of the change would begin to be felt immediately. The artificial value of land would be destroyed. The pressure of the tax upon owners of land now withheld from use would compel them to use the land or allow others to do so, and that upon terms less onerous than they now impose. Land would then be seeking labour and capital for its development, whereas, at present, these two active factors in production are seeking, often vainly, for access to land.

To use land is to employ labour. Employment being, in the last analysis, but the use of land. Consider, therefore, the effect upon unemployment of a widening of access to land. Let the gate of access be sufficiently wide and unemployment will have disappeared, and this without a "Right to Work Act."

Then as to wages. What will be the effect upon these of the withdrawal from the market-place of the reserve of unemployed labour now so successfully used to depress the general wage level? When the employer no longer finds his gates besieged by a crowd of men driven by the very desperation of their circumstances to sell their labour for what it will fetch, wages will rise without the "Minimum Wage Act" or other form of State intervention.

Some very excellent if short-sighted persons, filled with a desire to do good to the poor, whether the latter wish to be benefited or not, have discovered the existence of what they call the "Housing Question." They see, with Charles Dickens, "the preventable wretchedness and misery in which the masses of the people dwell," and, rightly attributing this phenomenon to the impossibility of paying a high rent out of a low wage, propose—not the removal of the cause of high rents and low wages, land monopoly, but that the State shall provide dwellings for such people at an uneconomic rent.

Which is to say, being interpreted, because some wealth-producers cannot afford, out of the share of wealth they receive, to pay for decent living accommodation, the State should house such, and take by taxation from all wealth-producers to make good its loss.

There is no housing question. It is but an aspect of the land question. What is a house? The materials of which it is constructed are but so many instances of land changed in form by labour and finally assembled upon another piece of land in the complete form we call a house.

Destroy the artificial value of land, due to its monopoly, and you cheapen land in whatever form you require to use it. To depreciate the selling value of land is not to impair its usefulness: that remains; it is only to make it more readily available for use. This done, and greater production of wealth would ensue. As the Government would no longer be obliged to raise revenue by the taxation of industry, a larger proportion of the wealth created would be available for distribution between the wealth-producers, and the increased spending power on the part of the people would create a new market for the product of our industries, more stable and permanent than any yet acquired by the costly method of foreign conquest.

Land has no value until population settles upon it. With the increase of population, and the advance of commerce and the arts, this value rapidly increases. Access to land being necessary to human existence, land is, therefore, the common heritage of all men living, and yet to come. Since it is not possible to apportion the land equally between all men, the problem is, how to secure to each his share.

This, say the Land Value Taxers, can be effected by treating this publicly created, and maintained, value as the natural fund from which to defray all the expenses of Government. It would no longer be necessary for the State to tax its subjects upon, and in proportion to, their industry.

This relief from injurious taxation, together with the advantages of good and efficient government which every citizen would then enjoy, would be the equivalent of a very substantial share in the land.

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MR. L. G. CHIOZZA MONEY, M.P., AND THE TAXATION OF LAND VALUES.

(This article was issued on the 18th March in the form of a "letter to the editor" by the Press Bureau of the United Committee for the Taxation of Land Values and sent to the 400 Daily and Weekly Newspapers receiving the Bureau service.)

THE debates on the 11th and 13th March in the House of Commons on the Address in reply to the King's Speech, although got up with a view to advertise the Conservative policy of "doles" from the Treasury in relief of local taxation, and the Labour policy of a legalised minimum wage, served rather to emphasise the importance and urgency of the rating and taxation of land values. Incidentally, Mr. R. L. Outhwaite and Mr. J. Dundas White's speeches incited Mr. L. G. Chiozza Money, Liberal Member for East Northants, once more to attack the Taxation of Land Values.

Mr. Money lectured the House on what he considered Mr. Outhwaite's "root fallacy," namely, "that the wealth of the United Kingdom is based on land"—a sentence too cryptic to have any precise meaning except to Mr. Money; it apparently enables him to proceed with his contention that "our industries are not based on the natural gifts of our own land, they are not based on material in this country but from other countries." This is a remarkable statement to come from one who taunts the foolish Tariff Reformer with forgetting that "imports are paid by exports" and parades time and again the 450 odd millions of pounds worth of "produce and manufactures" of the United Kingdom sent abroad!

Where does the produce of the United Kingdom come from if not from the land? Where are the manufacturing and other industries carried on that work up both home and imported raw material? Where do the people live who do this vast trade? Upon what do their houses, their factories, their workshops, their commercial offices, rest if not upon land? Why must they pay rent to non-producers, while the great majority of the workers have to accept little more than subsistence wages for all their industry? It is futile of Mr. Money to try to deceive himself and others by obstinately referring to "land" purely in the agricultural sense of the term, and refusing to grant that the value of land, its tenure, its artificial scarcity, the treatment of land users by assessment committees, are at the root of grave social and economic problems that must be solved in town and country alike.

The readjustment of local and Imperial taxation, which cannot be long delayed, offers the opportunity to apply the rating and taxation of land values, but Mr. Money derides the policy of the Land and Taxation Reform Memorial, supported as it is by 173 Liberal and Labour Members of Parliament and endorsed by the National Liberal Federation and countless Liberal Associations throughout the country. His recommendations for the readjustment are contained in the statement: "When we transfer the burden from the ratepayer to the taxpayer we do really perform a wise act of government"—a declaration of policy which is strictly in keeping with the Conservative view of the case. But the wisdom of the step depends upon what kind of taxpayers are to stand the cost of rate-relief, and upon the provisions taken by Government to prevent the relief to the ratepayer being absorbed in higher rent. Such provisions were necessary in the opinion of the five Commissioners who signed the Minority Report in favour of the urban rating of land values, who laid down that:—

Unless the owners of urban ground values are to be relieved at the expense of the taxpayer (a course which probably no one would advocate), it seems most necessary to accompany the increase of subventions in urban