centre £80 worse than that of the other, and as a consequence he will probably be driven out of the business. But to assume this is to ignore the economic effect of the tax in bringing landowners into the market as competitors for tenants.

This is what will Happen if Landowners try to pass on the Tax.

In and around every town there is land in abundance suitable for industrial purposes. The owners are holding it out of such use for various reasons, chiefly because its value constantly increases with the growth and the needs of the community. It costs them nothing while it thus "ripens." All this land will be available when it costs the owners as much in taxation to withhold it from use as it does to use it. The new competition amongst landowners for tenants that will result, will provide these two business men with other opportunities. The fear of losing their tenants will be quite sufficient to prevent the owners of the sites in question from threatening to increase the rents.

A tenant of a house in Manchester pays £35 rent. Of that amount £10 is ground rent. A tax of 2s. in the pound will cost the landowner £1 a year and he gives notice that the rent will in future be £36. In Manchester are thousands of acres of building land either unused or misused for agriculture. The owners of this land will now pay 2s. in the pound on its true annual value—on what they could receive in rent if it were let to builders—and they find themselves compelled to sell or let the land or else build on it themselves. Many more houses will soon be built on cheaper land and our tenant will find a better or as good a house for less than £35. He will probably prefer a removal to paying a higher rent, and his landlord will prefer to accept a lower rent rather than lose a tenant, for whether the house is occupied or empty the tax on the value of the land it stands upon must be paid every year.

A farmer pays £100 a year ground rent, and a tax of 2s. in the pound is levied on land values (2s. on annual value is equivalent to about a penny on capital value). The landowner therefore pays £10 a year and informs his tenant that his rent will be increased to £110. Not far away are some of the millions of acres of fertile land used for sport or other inferior purposes, which the owners will now be glad to find tenants for on account of the new tax. The farmer has offers of equally good land for less than £100, and he therefore refuses to pay the extra £10. Meanwhile his landlord is faced with the alternative of paying the tax on an unoccupied farm if he loses his tenant, and in these circumstances, instead of increasing the rent, he will probably reduce it as an inducement to the farmer to remain.

Experience shows that taxes on land values make land cheaper. When a small measure of this taxation was adopted in Australia another two million acres of land were put into cultivation in the first year. The only way to bring more land into good use is to make it cheaper. If the price of land in Australia had increased through the tax more land would have gone out of cultivation.

After two years' experience of taxing land values for local revenue in Houston, Texas, the Finance and Tax Commissioner of that city declared that the rents of houses and business premises had fallen 20 per cent., and that building permits had increased in the first year 51 per cent. If the tax had been passed on by the landowners of Houston in increased prices for land there would have been a slump in building and rents would have risen.

Nothing can make land dearer except an increased demand or a reduced supply of it. Nothing can make land cheaper except a decreased demand or an increased supply. The taxation of land values makes land cheaper because it destroys the landowners' power to create an artificial scarcity by keeping land out of use.

A. H. Weller

LOUIS F. POST ON THE SHIFTING OF THE TAX

A Stumbling Block

This is usually a stumbling block to those who, without much experience in economic thought, consider land value taxation for the first time. As soon as they grasp the idea that taxes upon labour products shift to consumers, they jump to the conclusion that similarly taxes upon land values would shift to users. But this is a mistake, and the explanation is simple. Taxes upon what men produce make production more difficult and so tend towards scarcity in the supply of products, which stimulates prices; but taxes upon land, provided the taxes be levied in proportion to value, tend towards plenty in the supply of land (meaning market supply of course) because they make it more difficult to hold valuable land idle, and so they depress prices. Taxes on products are added to their price, for all competing products must pay the tax; but taxes on land values are not added to the price of land, for competing land of no price would pay no tax.

"A tax on rent falls wholly on the landlord. There are no means by which he can shift the burden upon any one else. . . . A tax on rent, therefore has no effect other than its obvious one. It merely takes so much from the landlord and transfers it to the State."—John Stuart Mill's Principles of Political Economy, book v., ch. iii., sec. 1.

"A tax laid upon rent is borne solely by the owner of the land."—Bascom's Tr., p. 159.

"Taxes which are levied on land . . . really fall on the owner of the land."—Mrs. Fawcett's Political Economy for Beginners, pp. 209, 210.

"A value tax levied in proportion to the rent of land, and varying with every variation of rent, . . . will fall wholly on the landlords."—Walker's Political Economy, ed. of 1887, p. 413, quoting Ricardo.

"The power of transferring a tax from the person who actually pays it to some other person varies with the object taxed. A tax on rents cannot be transferred. A tax on commodities is always transferred to the consumer."—Thorold Rogers's Political Economy, ch. xxi., 2nd ed., p. 285.

"Though the landlord is in all cases the real contributor, the tax is commonly advanced by the tenant, to whom the landlord is obliged to allow it in payment of the rent."—Adam Smith's Wealth of Nations, book v., ch. ii., part ii., art. i.

"The way taxes raise prices is by increasing the cost of production and checking supply. But land is not a thing of human production, and taxes upon rent cannot check supply. Therefore, though a tax upon rent compels landowners to pay more, it gives them no power to obtain more for the use of their land, as it in no way tends to reduce the supply of land. On the contrary, by compelling those who hold land on speculation to sell or let for what they can get, a tax on land values tends to increase the competition between owners, and thus to reduce the price of land."—Progress and Poverty, book viii., ch. iii., subd. ii.

Sometimes this point is raised as a question of shifting the tax in higher rent to the tenant, and at others as a question of shifting it to the consumers of goods in higher prices. The principle is the same. Merchants cannot charge higher prices for goods than their competitors do, merely because they pay higher ground rents. A country storekeeper whose business site is worth but a few dollars, charges as much for sugar, probably more, than a city grocer whose site is worth thousands. Quality for quality and quantity for quantity, goods sell for about the same price everywhere. Differences in price are altogether in favour of places where land has a high value. This is due to the fact that the cost of getting goods to places of low land value, distant villages for example, is greater than to centres which are places of high land value. Sometimes it is true that prices for some things are higher where land values are high. Tiffany's goods, for instance, may be more expensive than goods of the same quality at a store on a less expensive site. But that is not due to higher land value; it is because the dealer has a reputation for technical knowledge and honesty (or has become a fad among rich people), for which his customers are willing to pay whether his store is on a high-priced site or on a low-priced one. Though land value has no effect upon the price of goods, it is easier to sell goods in some locations than in others. Therefore, though the price and the profit of each sale be the same, or even less, in good locations than in poorer ones, aggregate receipts and aggregate profits are much greater at the good location. And it is out of this aggregate, and not out of each profit, that rent is paid.

For example: A cigar store on a thoroughfare supplies a certain quality of cigar at fifteen cents. On a side street the same quality of cigar can be bought no cheaper. Indeed, the cigars there are likely to be poorer, and therefore really dearer. Yet ground rent on the thoroughfare is very high compared with ground rent on the side street. How, then, can the first dealer, he who pays the high ground rent, afford to sell as good or better cigars for fifteen cents than his competitor of the low priced location? Simply because he is able to make so many more sales with a given outlay of labour and capital in a given time that his aggregate profit is greater. This is due to the advantage of his location. And for that advantage he pays a premium in higher ground rent. But the premium is not charged to smokers; the dealer of the side street protects them by his competition. It represents the greater ease, the lower cost, of doing a given volume of business upon the site for which it is paid; and if the State should take any of it, even the whole of it, in taxation, the loss would be finally borne by the owner of the advantage which attaches to that site—by the landlord. Any attempt to shift it to tenant or buyer would be promptly checked by the competition of neighbouring but cheaper land.

"A land tax, levied in proportion to the rent of land, and varying with every variation of rent, is in effect a tax on rent; and as such a tax will not apply to that land which yields no rent, nor to the produce of that capital which is employed on the land with a view to profit merely, and which never pays rent, it will not in any way affect the price of raw produce, but will fall wholly on the landlords."—McCulloch's RICARDO, 2nd ed., p. 107.

Moreover, prospective taxes on land values are capitalized and deducted from purchase price in land sales, so that land buyers pay no taxes on their land unless it rises in value, and then only on the increase. This is demonstrated in Fillebrown's A.B.C. OF TAXATION, which is valuable also on other points regarding taxation of land values. Among its fiscal statistics are those of a kind which, since they are also of later date, may be substituted for illustrative uses for the computations of James R. Carret, the Boston conveyancer.—"THE TAXATION OF LAND VALUES by LOUIS F. POST." (By Post 1s 6d.)

To the Editor, LAND VALUES.

SIR,—It will be difficult, I imagine, to find any striking and novel way of answering this question. As the mass of mankind are deeply interested in taxation, the material we have to deal with is common and familiar. As most people look upon the effects of taxation as firmly established—it always increases price; the difficulty of supplying a satisfactory answer lies in getting over the fixed idea. I think, however, that a moderate degree of calm and concentrated attention on two main points—the difference between a tax on a product of labour and a tax on economic rent—will usually clear away doubts. An explanation of a tax on these two forms of value will always involve some kind of explanation of the incidence of taxation, as it will be necessary to show that the directness of a tax on a land value, and the directness of a tax on the labour value have quite opposite effects. This explanation, it seems to me, need not be either long or involved, and might proceed as follows: That the tax cannot be shifted is proved by the fact wherever it is proposed to tax land values the rent receivers invariably act in such a way as shows clearly that *they* know who will pay the tax. The reason of their knowledge is simple. They know that the selling price of land under the operation of a tax on land value will depend on the difference between the annual tax on it and its annual value, because if land were taxed up to its full annual value it would have *no* selling price. This means that the tax would have a tendency to lower the speculative price, and ultimately keep the price steadily at its proper economic level. The landowners and their advisers were well aware of this fact, hence the reason why the taxation of land values was so violently resisted and drove the landed interest into the "damn the consequences" policy. On the other hand the price of labour products being made up of the cost of production and distribution all taxes on those products *must* add to the price; therefore the higher the tax the higher the price. The effect of a tax on land values is to exactly reverse this process—it tends to make land cheaper.

I am, &c.,

JAMES BUSBY.

LONDON TRAMWAY FINANCE

To the Editor of LAND VALUES

In June LAND VALUES the principle was laid down that tramways should be run so as to give the greatest possible service at the smallest price. The grave injustice perpetrated in London was, however, contrasted with the policy of Glasgow where "proper methods of tramway finance have continuously been adopted," with the result that "there is now the most efficient and cheapest tramway service in the country and without a penny of debt." It was stated that the revenue which in London is applied to relieving the wealthy of taxation has in Glasgow been devoted solely to cheapening the tramway service and relieving it of debt. This unfortunately is not now the case. Glasgow has fallen into the same error as London. It has embarked on its career of injustice. What is worse, it is cloaking injustice under the guise of patriotism.

On 31st January, 1917, the Tramways Committee of Glasgow Corporation was in the happy position of being able to state that the tramway system was free from debt. The whole of the capital expenditure of £3,835,136 had been wiped out by repayments. On the same day, the Corporation, as the guardians of the Common Good, decided to apply for £2,000,000 stock in the War Loan. A committee was appointed to secure the necessary advances from the banks, and to arrange for these advances to be repaid out of the surplus revenues of the Common Good. What this means is that the advances will be paid off by means of the surplus from the Tramway Department. According to the GLASGOW HERALD, the whole of this £2,000,000 will be repaid in six or eight years, and the citizens will have as their very own £2,000,000 War Loan Stock. "In addition, and even more valuable as an asset, the Common Good will own in the Tramways Department an ever-expanding gold-mill which will grind out £300,000 a year."

No one appears to realise that the city as a whole is imposing a burden which falls more heavily on the poorer than on the richer classes. It is the working classes who are obliged to travel by tram, and who spend a large percentage of their incomes on car fares. Many of the richer citizens never spend a penny a week on tram fares, even those of the middle classes who spend a shilling every week on trams are only contributing perhaps 1 per cent. of their income to swell the coffers of the Tramway Department; whereas the workman who spends a shilling per week is spending perhaps 3 per cent. or 4 per cent. of his income in order to give the other citizens—and particularly those who travel by train—a pleasant thrill of patriotic and civic self-righteousness.

F. S.

MONEY AND PRICES

To the Editor of LAND VALUES.

SIR,

Economics is the science of the correlation of labour and value, and "price" is the name we give to this relation or interaction.

A unit of labour produces a unit of value.

A unit of value is that which is produced by a unit of labour, and

A unit of price is the exchangeability of two units of value, or of a unit of labour and a unit of value.

These are the only purely economic definitions that can be given of labour, value, and price. Price is thus the centre of gravity, as it were, of labour and value, and as such, is an absolute standard of reference for all things economic. We can put these facts into an equational formula, thus:

Labour = Price(= Money) = Value.

Archbishop Trench calls words the current coins of thought; and we commonly call language the *currency* of thought. So, money is but the *language* of exchange of values. It is not one language, but many. And price does not vary because it is recorded by an Englishman in pounds, and by a Japanese in yen.