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FREEDOM, PEACE AND SAN FRANCISCO

ON JUNE 26 the representatives of fifty nations signed a Charter for a new World Organisation at San Francisco. This Charter has been described as the "League Covenant with teeth in it." Whilst it is much to be hoped that its subsequent history will not belie this description it may still be doubted whether the statesmen of the world have really discovered the things that belong to their peace.

The principal contrast between the San Francisco Charter and the Geneva Covenant lies in the dominant position given to the "Big Five" on whom the weight of any action taken by the World Authority will rest. Another touch of realism is the provision that regional pacts aimed at the prevention of renewed aggression by the Axis may be invoked and enforced without waiting for the authorisation of the Security Council.

Despite these signs of grace, the new Charter is in essence built upon the misconceptions which rendered the Covenant of the League ineffective. Of these, the most important are the "personification" fallacy and the "benevolent Government" fallacy.

The "personification" fallacy consists in the ascription to national governments of the attributes of human individuals and in the assumption that these governments can have an "opinion" which can be merged into a "world opinion."

The people of the Scandinavian Peninsula are entitled to two votes now; why is this if, before their separation in 1905, they would only have been worth one? We have seen the claim to independent recognition for Byelo-Russia and Ukraine and the strange vista opened up of the U.S. claiming forty-three seats—one for each member state—by way of a counter-move. Meanwhile nobody can say what has become of the sovereign states of Estonia, Latvia and Lithuania, whose combined voices used to be equal to those of Canada, Australia and New Zealand, but Central and South America still supply their full quota. Consideration of such facts as these should be sufficient to dispel the belief that government votes are units which, by addition and subtraction, can produce a total which has any meaning.

The "benevolent" Government fallacy consists in the belief that governments can improve the lot of all their subjects simultaneously by taking positive economic action.

Co-operation is essential for the existence of human society and the survival of each individual in it, but it is the co-operation of free individuals bound together by Exchange. In Exchange each party gives up something which for the moment he wants less in order to obtain something which for the moment he wants more. By this process the wealth and welfare of each party is increased and by its repetition the wealth and welfare of the community as a whole is multiplied. Yet each party remains a free agent, at liberty within the limits set by nature to explore and experiment to his heart's content. Thus flexibility and stability are combined and the principle of growth in society is assured. No Exchange, however, can take place except between producers. Now man seeks to gratify his needs by the least necessary exertion and he still retains enough of the animal to be tempted to reject his inherited knowledge of the mechanism of Exchange and to suppose that he can get something for nothing. This desire is the principle of death in society. It is also the origin, meaning and end of most "government action."

The non-producer can only obtain wealth and services by force or government action. Since wealth is the product of labour applied to land there are two techniques available; to make a man's labour your own by enslaving his person or to establish the claim that part of nature belongs to you. The former technique has been largely abandoned by the Western World but the latter runs through the whole of its economic structure. The object of government action has very largely been the establishment of this "ownership" whilst the paraphernalia involved have provided many other opportunities for the non-producer in the form of jobs, pensions, tariffs, quotas, etc. When the producer tries to get his own back by organised pressure and receives it or part of it in the form of subsidised wages, we arrive at the extraordinary position in which virtually every citizen is a beneficiary as well as a victim and the natural flow of free Exchange is almost brought to a standstill.

The distinction between "home" and "foreign" affairs is largely a disguise for part of this distortion of the free market. Long ago Englishmen, Chinese and Peruvians started exchanging things as part of their own private way of life; the process reached its height at the end of the last century when the world was in-

tegrated as never before; world-wide currency had been evolved; the risk of long distance exchange had been shared out by a world-wide nexus of insurance companies; the shipping of the world with its polyglot crews moved freely between all the civilised ports. But the fatal flaw remained and to-day its effects are seen in the breakdown of the world order. The non-producer attempted to use the world-wide organisation to get something for nothing even from the ends of the earth. Governments were called in to limit and control or even to prohibit exchange; "ownership" was established in tea plantations and rubber forests and producers were made to pay toll for the use of them; in a few markets "world government" was successfully established, for example in tin and rubber, and Exchange gave way to "international agreement"; in the majority of cases however the amount of power needed was too great and the market was simply articulated into sectional markets within which Exchange continued more or less freely. The limits of these sections were the frontiers of states.

With the coming of "social security" these frontiers threaten to be even more damaging to Exchange. Already immigration laws limit the free movement of men across them, but they may become barriers at which individuals will have to leave behind part or all of their provision against sickness or old age since this provision will be in the form of credit marks posted against their names in some ministerial ledger instead of savings under their private control. Similarly, with the coming of government control of industry, these frontiers, already studded with customs houses where men are fined for behaving socially, that is to say for exchanging goods, will become the firing lines in international economic warfare where goods are exchanged, if at all, as the result of political bargaining and blackmail.

Peace can never be secured by moving such frontiers about or by guaranteeing them with the force of a world organisation. The frontier itself is the abuse, not its situation. So long as there are barriers, embargos and fines to interfere with travel and exchange in frontier areas, so long will international friction continue. So long as land monopoly persists in any area, its victims will be tempted to find a solution for their economic troubles in

war. So long as Governments are thought of as universal providers it will be a contradiction in terms to expect them to co-operate.

The signatories of the Charter undertake "... to promote social progress and better standards of life in larger freedom." Freedom means being left alone. The essential economic basis for this is free land and free exchange. The twist given to the idea of Freedom by the collectivist obsessions of to-day has led to the complete reversal of the significance of the word so that elaborate schemes of State control are being advocated in its name. Is it too pessimistic to read into

this phrase the same confusion of mind or to regard the Economic Council as one of the principal dangers to Freedom? Had the fifty Governments agreed to work for the abolition of immigration laws, tariffs and the acquisition of land values by private persons, we might really believe that the Charter heralded the dawn of a new age.

Those who worked for the establishment of the Charter were inspired by the desire to end war and their objective is one shared by all civilised men. But good intentions cannot be pleaded in rebuttal of reasonable criticism. Peace will be secure when and only when the idea

of land "ownership" has gone from men's minds as completely as the idea of chattel slavery has gone from the minds of civilised Europeans. Meanwhile the professional diplomats must do their best and should not be hampered by the unreality of a "world authority" which can only raise false hopes and create confusion. Whilst these experts strive to prevent catastrophe those who understand political economy should work for the removal of blockages to the free movement of men and goods. Every gain in *this* campaign brings peace nearer. Freedom and its corollary Peace, like Charity, begin at home.

J. R. M. SENIOR.

THE BURDEN OF LOCAL TAXATION

A PRONOUNCED increase in the expenditure of local authorities seems inevitable in the conditions now prevailing. Higher costs of materials, wages and salaries will make the maintenance of public services at even a pre-war standard more onerous than before. New duties in respect of education, housing, planning, public health and other services will result from legislation already passed or foreshadowed. Even though new or increased Government grants are given, some part of the added cost is bound to fall upon local funds.

Experience after the last war has shown the extreme difficulty of bringing rateable values into conformity with the new price level. The rate in the pound is, therefore, likely to rise even more rapidly than public expenditure. In these circumstances all the faults of the existing rating system will become greatly aggravated. The need for reform is imperative.

Defects of the Present System

The present system of local rating is based upon an assessment or valuation of landed property.

The assessment is of the annual value, that is to say, of the value if let from year to year. It includes the value of the buildings and other improvements as well as the land, but the valuation depends entirely upon the use which is made of the land at the time of valuation. If the land is unused, it is not rated; if the land is badly used, it is rated at a low figure no matter how valuable it is. Conversely, if the land is well developed, the assessment is high.

This system puts a penalty upon the use of land for housing or business or industrial purposes; while it gives a premium to those who hold land out of use or use it badly.

The burden is borne by the tenants or occupiers who actually use the land. It is an addition to the rent which has to be paid for the occupancy of property.

The poorer section of the population, whose expenditure upon house rent forms a very large fraction of their incomes, must pay relatively more of the local rates than those who are better off.

Housing and Town Planning

The results of this system are writ large over our towns and cities (and in rural districts as well), in slums, high rents, unequal development, land unused or badly used, and high prices for land.

The lack of a general valuation of the market value of land (intended to be used as a basis for taxation) involves the payment of arbitrary and exorbitant prices for land required for housing and other public purposes. It makes the preparation of adequate town-planning schemes a matter of extreme difficulty, involving on the one hand fantastic claims for compensation and on the other almost complete failure to operate the "betterment" provisions.

The steady increase of land values year after year, due to community influences and public expenditure, progressively increases all these difficulties.

What is the Remedy?

Three plans compete for consideration: (1) Local authorities to get increased subventions from the Treasury so as to reduce the burden of local rates; (2) The introduction of a local income tax; and (3) The rating of land values and the relief of houses and other buildings and improvements from the rates now levied on them.

Subventions to Local Authorities?

Any substantial increase in Exchequer grants is not to be expected. They already amount in total to a sum approaching that raised in rates. Even if large Government grants in relief of rates were forthcoming, the problem would be no nearer solution. Much of our national revenue is derived from indirect taxation and a substantial part from taxes on relatively small incomes. So long as that continues the consumer will simply be carrying much the same burden, as taxpayer, which he had been

bearing as ratepayer. Even if the revenue for this purpose could be raised by, say, increasing the income tax, the result would simply be to subsidise the landowners, increasing the price of land, and encouraging land speculation and all the evils referred to above. Local authorities must, therefore, be given a new system of rating.

Local Income Tax?

The first difficulty with regard to a local income tax is that no Chancellor of the Exchequer is likely to give up any part of this source of revenue to the local authorities. There is no possibility of appreciable increase in the income tax and there is a widespread demand for reduction.

The second difficulty is to localise income. Is it to be assessed in the district in which the taxpayer earns it? If so, people who live in residential areas and earn their living elsewhere will contribute nothing to the district in which they live; and a small minority who earn their livings in the area will bear the whole burden. Or is it to be assessed in the district in which the taxpayer resides? If so, the well-to-do residential districts will have ample revenue and a low rate of taxation, while the industrial districts will have a heavy rate of taxation which will fall mainly on the wage earners who live in them.

Even if a local income tax were practicable, any reduction so effected in the rates levied under the present system would very soon be nullified by an increase in rents. It would also entrench the monopoly of valuable vacant land which is exempt to-day and which would obviously continue to be free from income tax as long as it produced no income.

The Rating of Land Values

The true source from which local authorities should derive their revenue is the value attaching to land. The just and practicable remedy is to rate land values.

The Land Value Rate would be based upon a valuation of the full market value of each site disregarding