

THE CASE FOR LAND REFORM.

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THE PROBLEM OF RENTS AND ROYALTIES.

Everything is made by labour from land and on land, if we use land in its widest sense as including all natural opportunities. It is therefore very important, if the production of wealth is to be encouraged and unemployment reduced, that every sort of land should be as easily accessible as possible to the man best fitted to use it.

That the man best fitted to use land should get it may seem to be a difficult matter to achieve. In practice it reduces itself to the simple issue—that the man willing to pay the highest rent for land should have it. This proposition does not sound so very revolutionary, and yet this is precisely and entirely what land reformers have in view;—the fullest possible, the best possible, use of land and raw materials.

At first sight one would think that landlords as well as other people would accept and even welcome such an object—that the man willing to pay the highest rent for any land should have it—yet, from their own point of view as owners not as citizens, they are quite right to object and to fight the change involved as being in Lord Rosebery's words a "Revolution." They know it would be fatal to their power that the man willing to pay the highest rent should have the use of land, and have fixity of tenure so long as he paid the highest rent. For the power of landlords, and ultimately the total tax they can levy on the users of land, depends on the privilege of refusing to allow people to use land.

Take some examples showing the advantage to the landlord, and the loss to the country, of this power to refuse the use of land to the highest bidder.

Land near a town is let to a farmer at £3 an acre. A builder is willing to pay a better-secured and permanent rent of £3 5s. an acre—5s. a year more than the farmer—but he can never get the land at that price. Custom demands that there should be a "ripening" process. The landlord will continue to let to the farmer at the lower rent till the offer of the builder has been raised to £10, or sometimes even to £40 per acre per annum. In this case the ripening custom, and the landlord's power of refusing the offer of the highest bidder, restricts the amount of building, and creates unemployment, refusing to labour the use of land. If builders could get land at agricultural rents, all house and shop rents would fall. Factories could be built more cheaply, and the tax paid by industry to landlords everywhere would be diminished.

Take again the case of minerals. Custom and the landlord demand that the royalty on coal should be, say, 4d. a ton. If no lessee will offer so much the minerals lie unworked, and unemployment is caused, not only among miners, but among many other trades as well. Yet many a lessee would offer 1d. a ton, and if nothing better offers, those who are willing to work the minerals should be able to get it at ½d. a ton rather than it should not be worked at all. If coal lessees could get coal at this royalty, all royalties would fall, the output of coal would increase and coal would be cheaper by the amount of the reduced royalty. There would be more employment, and cheaper raw material for industry.

Sir Christopher Furness, speaking at West Hartlepool on September 14th, 1909, said:—

"Let me put into practical form what these royalties mean to us here. For every ton of iron we produce there is included in the price 4s. for royalties, whereas in France it is only 8d., and in Germany only 6d."

By the time this iron becomes finished steel the tax to the owners has grown still greater, because it takes more than a ton of pig iron, with coal and other materials as well, to make the finished product. This is a very heavy tax on British industry, and goes to private pockets. It would almost vanish if minerals were always available to the highest bidder.

Agricultural land provides a third instance of the withholding of land from the highest bidder, restricting the production of food, and creating unemployment. To take the extreme case first. There is land, we are told, which it does not pay to cultivate or let for use at all. In the language of economics it is "below the margin of cultivation." If it were below the margin of cultivation, then it should be available, free of rent, for anyone who wished to try to use it—or at least anyone should be allowed to use it for ½d. per acre per annum, the highest offer. Given fixity of tenure, there is little land indeed for which offers of this sort would not be forthcoming, and then someone anxious for work would get work, more wealth in the shape of food would be produced, and the stamina of the nation maintained

and improved by the more natural employment of her children. But such land is not free. Even here there is the "ripening" process, though on a small scale, or we find the more fatal desire to exploit the tenant by refusing him fixity of tenure, so that his improvements on raw soil will not be for himself but for the landlord.

This is only the extreme case in agriculture; the same restriction on the best use of land and refusal to the highest bidder occurs on every grade of land from worst to best. You cannot get sheep-grazing land for agriculture at grazing land rents; you cannot get agricultural land for intensive cultivation at agricultural land rents, just as you cannot get market garden land for building at market garden land rents. It is this artificial restriction which drives the people off the land and prevents their getting the best and most natural employment of all. In every case custom, the natural desire to reap where others have sown, or something more—the passion for power which comes from being able to refuse—forces up the rent, so that the better you use your make of land, the more you are expected by the landlord to pay.

And then all rents from agricultural land are so petty compared with the revenues landlords get from their foreign investments, that there is little incentive for them to let to the highest bidder or even to let at all. They can perfectly well turn all the inhabitants of their land into their personal servants, and let no land be used productively at all. If they happen to have a taste for solitude or sport, they can gratify it by emptying the country of people and of useful work. Later on when the people must—at all costs—have land, then they can sell it all at a higher price because they have created such an artificial shortage. This power of the landlords to keep land out of best use, to refuse it to the highest bidder, whether enjoyed for purposes of pleasure or speculation, drives people off the land, creates more unemployment, and injures industry; it is in fact a private tax added on to the people's public taxes. This power used without a thought of harm by landlords, good and bad alike, is the result of bad laws which Land Reformers desire to change.

These bad laws are those which require rates and taxes to be based upon the use to which land is actually put, and not according to what the best use to which it could be put—not in fact according to what the highest bidder is prepared to pay. At present the worse a landlord uses or allows his land to be used the less he has to pay in rates and taxes.

If two men own land, one on each side of a road, and one allows the highest bidder to build on his land, while the other does not, then the former has his rates and taxes raised, while the latter escapes and, by escaping his share of the burden, adds again to that borne by the good landlord. Such a system penalises industry and employment; it gives a bonus to, and encourages, those who withhold lands and minerals from the highest bidder. If the land of these two landlords be of equal value—if, that is, the highest bidder is prepared to offer the same rent (or capital price) for each—then Land Reformers say that both should be taxed alike. They say that both rates and taxes upon property should be based, not upon the use to which the land is put, but according to the actual value of the land, as determined by what a willing user or buyer would give for it in the open market.

It is not to the point to say that they want to rob landlords; no extra taxation or rate need be laid upon property owners at all. What is wanted is so to change the basis of assessment for rates and taxes on property that the best use of land shall be encouraged instead of penalised. If land were assessed, taxed and rated at its potential use value instead of at its actual use value, it would become impossible to afford to withhold the land from that remunerative use. What the highest bidder would pay for the use of the land alone would be the new basis on which those who at present pay rates and taxes on the property would be assessed and called upon to pay. If this were done, buildings and improvements would not be taken into account, and so would go rate free. Thus the artificial shortage in land would be broken down, and those allowed access to it who are best able to use it.

It is not unjust to change the law in this direction; the injustice lies in the present laws which give an unfair advantage to those who own land. "Injustice lies not in the destruction, but in the continued existence of privilege."

The following parable summarises the whole of the above argument:—"There was a Sultan in Egypt, and he taxed the people. For every fig-tree they grew he took payment of 10 dinars; and so it came to pass that the people cut down their fig-trees. Then arose another Sultan, and he took the tax off fig-trees, and taxed instead the land from which all good things must come. And behold, the people planted fig-trees with diligence, and the land flourished exceedingly."