

## THE GUARANTEED PRICES FOR CEREALS

### Possible Cost of the Bounty

Sir R. Winfrey (Parliamentary Secretary, Board of Agriculture), replying on May 16th in the House of Commons to Mr. Moltano (L., Dumfriesshire), stated that the average annual quantity of wheat and oats sold in 1909-10 to 1913-14 was: Wheat, 6,336,798 quarters; oats, 4,237,737 quarters. The average price per quarter was: Wheat, 32s. 6d.; oats, 19s. 1d. The excess cost on the average quantity of wheat and oats if sold at the minimum prices named in the Corn Production Bill instead of at pre-war average price would be:—

	Wheat.	Oats.	Total.
1917-18 ..	£8,713,097	£4,114,137	£12,827,234
1918-19 ..	7,128,897	2,736,873	9,865,770
1919-20 ..	7,128,897	2,736,873	9,865,770
1920-21 ..	3,960,499	1,041,777	5,002,276
1921-22 ..	3,960,499	1,041,777	5,002,276
1922-23 ..	3,960,499	1,041,777	5,002,276
	£34,852,388	£12,713,214	£47,565,602

It was important to observe that there were no records available to show the quantities of wheat and oats sold. The assumption made for the purpose of the above table, namely, that 85 per cent. of the wheat and 20 per cent. of the oats produced were sold, was an estimate only, and did not allow for sales from one farm to another. The average quantity of wheat and oats produced in 1909-10 to 1913-14 was: Wheat, 7,455,057 quarters. Oats, 21,188,687 quarters. The excess cost on the average quantity of wheat and oats produced if sold at the minimum prices named in the Corn Production Bill instead of at pre-war average price would be:

	Wheat.	Oats.	Total.
1917-18 ..	£10,250,703	£20,570,684	£30,821,387
1918-19 ..	8,386,939	13,684,360	22,071,299
1919-20 ..	8,386,939	13,684,360	22,071,299
1920-21 ..	4,659,410	5,208,885	9,868,295
1921-22 ..	4,659,410	5,208,885	9,868,295
1922-23 ..	4,659,410	5,208,885	9,868,295
	£41,002,811	£63,566,059	£104,568,870

The guaranteed prices proposed in the Corn Production Bill did not involve any increase of cost to the consumer as such—as they would not affect the price of corn in the market. The figures given covered the whole United Kingdom.

## OUR SOLDIERS AND SAILORS.

### An Imperial Responsibility.

Mr. H. E. Easton, hon. secretary of the British Immigration League (London address, Clarendon Court, Maida Vale, W.9) speaking in Stratford Town Hall last night on "What is being done by the Empire's Sailors and Soldiers" said:—

The British Immigration League made a suggestion which had been enthusiastically received in many parts of the Empire, and had been strongly supported by the men at the front. It read as follows: "That the Governments of the Empire accept the sole responsibility of the settlement and future welfare of the Empire's sailors and soldiers, together with their near dependents."

Surely this was the very least that the Governments could promise. To leave them to the mercy or chance of spasmodic effort by private individuals or semi-official associations would be nothing short of a national scandal.

## CORRESPONDENCE

### CAN A TAX ON LAND VALUES BE PASSED ON?

To the Editor of "Land Values."

A common objection to the taxation of land values is that landowners would pass on the tax to their tenants or purchasers. If that objection is sound the taxation of land values is useless—it would save time, expense, and irritation to collect the amount direct from the tenants and purchasers. That landowners and their skilled agents would relieve themselves in that way if they could is not in dispute, but that they do not think it possible is shown by their consistent opposition to this reform.

The only way in which landowners can pass on the tax is by charging more for land. Unless land becomes dearer in consequence of the tax it is obvious that the owner is paying it. If, on the contrary, land becomes cheaper through the operation of the tax it is equally obvious that not only is the owner paying it but also that the community is gaining something more than the revenue which the tax yields.

Taxes on land values produce quite different effects to taxes on commodities. A tax on tea is added to the cost of producing tea. The cost of production includes all unavoidable expenses or charges, such as cultivation, manufacture, transport, storage, taxation, &c. The tea merchant must continue to make the same rate of profit (or no less) after the tax as before, or go out of the business. He therefore raises the price of tea sufficiently to cover the tax and interest on his money used in paying it, and the consumers must pay the whole amount or go without tea. The tax on the tea merchant's stock is only charged once, and having paid it on behalf of his customers he can afford to wait until they are willing to pay the increased price. Any lessening of demand that may result will react upon the tea growers and check production, and the reduced supply will keep prices high.

But land is not produced by labour as are commodities. It is a fixed quantity, though the market-supply of it may be increased or decreased. When all land is taxed according to its value the land merchant (landowner) will not be able to check production nor withhold supplies in order to force up prices. For, unlike the tea merchant, who will only pay the tax once however long he holds the tea, the land merchant will pay the tax on the value of his stock every year. He will therefore be more anxious to sell or let than before, and to escape what would otherwise be an annual loss he will offer his land at lower prices than he would dream of accepting to-day. There are many millions of acres of unused or under-used land in this country which will be offered at reduced prices by owners made anxious by the tax to sell or let; the increased market-supply of cheap land will, moreover, bring down the prices of land already in use.

THIS IS WHAT WOULD HAPPEN IF THE LANDOWNERS PASSED ON THE TAX.

Of two men in the same kind of business one pays £1,000 ground rent in the centre of the town, and the other £100 for an equal area on the outskirts. A tax of 2s. in the pound costs the landowners £100 and £10 respectively, which they add to the rents, making them £1,100 and £110. Now the function of rent (rent of land) is to equalise the opportunities of persons using lands of different values. The Law of Rent, accepted by political economists such as John Stuart Mill, Ricardo, and Henry George, is as follows: *The rent of land is determined by the excess of its produce over that which the same application of labour can secure from the least productive land in use.* But the man on the central site no longer finds himself on terms of equality with his suburban competitor. The relative values of the two sites remain unaltered, but the payment of the rent plus the tax makes the position of the man at the

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