

travel, the growth of industrial centres, the love of the brighter, more amusing, more gregarious life of the towns; all these things have had their share in producing this depopulation. But these are contributory causes; the supreme cause is the land system.

Go wherever you will in England, you are confronted with this antiquated and iniquitous land system as the root of most of the social evils. Take overcrowding in the village and all its insanitary conditions; can anybody say that these evils come from want of land? Why, the land is lying all around. Not more than a mile from the overcrowded village there are hundreds of acres in the demesne of the local squire, useless to him except as a pleasure, useless even more to the community from whose sustenance it is withheld. In short, the problem of rural life in England is this simple contra-distinction—land hunger on the one side, and hundreds of thousands of acres of unoccupied land on the other. We have to face and to solve that problem. We have to do so in the interest of the ill-paid and ill-housed labourer. We have to face it in the interest of the food and the wealth of the nation, and when the statesman who brings forward a practical scheme for solving that problem comes forward there is no danger of its not receiving the acceptance and approval of the people. I think it much more likely that there will arise a storm of indignation which will sweep away the feudal class from their last citadel, and that there will be an irresistible demand for giving back the people of England their share of the heritage of the land in which they are born.

RATING LAND VALUES

V.

MUNICIPAL INCOME TAX.

By A. H. WELLER.

The agitation for a municipal income tax, like the demand for the rating of land values, is an expression of the almost universal dissatisfaction with the present rating system and an acknowledgment, somewhat tardy perhaps, that something more than municipal economy is required to meet the increasing demands being made upon the already over-burdened ratepayers. The problem is how to lighten the burden of the rates without reducing the supply or the efficiency of the public services that are wholly or partly financed by local taxation. The price of municipal efficiency must be paid and the most rigid economy cannot prevent the need for a steadily growing expenditure, and so we now find a general demand for a new source of local revenue that will distribute the burden more equitably and relieve industry from the penalties and restrictions that are imposed upon it by the present system. The evils of that system are so widely recognised that nothing more than a brief survey of its incidence and effects is necessary for our present purpose.

Rates are now levied on the basis of the rental value of land and improvements together, or, in other words, on land according to the use to which it is put. On land that is well used in town or country heavy rates have to be paid on the total annual or rental value of land and improvements; on land of equal value put to inferior uses the burden is much lighter, rental value again being the standard for assessment; while on land that is held out of use, however valuable it may be, no rates are charged. Such a system has the effect of discouraging industry and encouraging the withholding of land from use. Builders, miners, and agriculturists know that when they use land for their several industries they will incur the penalty of local taxes on the value of all the improvements they make—houses, shops, factories, farm buildings, fixed machinery, &c.—and that the more labour and capital they expend in these directions the greater will be the amount of the annual fine they will have to pay. If existing property is improved—a new front put in an old shop, a factory enlarged or new machinery installed in place of old—the enterprising people who thereby employ labour and stimulate trade are rewarded by having their assessments increased. It is not surprising to find business men complaining about such unjust exactions, and what is worse, that much less labour and capital are expended on such improvements than would otherwise be the case.

The following typical examples show how our rating system encourages the withholding of land from its most suitable uses and punishes those who put land to good use:—A few years ago the Platt Hall Estate was purchased by the Manchester Corporation for £60,000. If that sum represented the real value of the estate its annual value was £2,400, and deducting one-sixth for rating assessment we get what should have been an actual rateable value of £2,000. But instead of paying rates on that amount the owner had been assessed on only £318 15s., and on a basis of 6s. 8d. in the pound that meant a loss to the community of £560 per annum. The Cambridgeshire Council acquired a farm of 660 acres and leased it to 27 small holders. The assessment for rates was at once increased from £150 to £580. A landowner turned cultivated land that had been let at 30s. an acre into fox coverts, and the assessment was reduced to 5s. an acre.

There are two proposals before the public for a new rating system—the rating of land values and the rating of incomes—which, though opposed in principle appear to be prompted by a common desire to un-rate buildings and other improvements and to broaden the basis of assessment for local taxation. The advocates of both systems agree that the present method of levying rates upon land and improvements presses with undue severity upon those least able to bear the burden while allowing others to escape who ought to share that burden. But there the similarity ends, as we shall see by an examination of both proposals.

The local income tax is based upon what is called the true canon of taxation—payment according to ability. But such a theory of taxation is neither sound in principle nor could its practical application achieve the object of its supporters. Payment according to ability is the highway-man's method of collecting toll, and there can be no more justification for a municipality employing that method upon the community than for Dick Turpin upon his victims. If payment according to ability were a sound canon of taxation, it would be an equally good standard for fixing charges in other departments of municipal activity, and well-to-do citizens be made to pay double fares on municipal trams and higher rates for municipal gas. But this "sound canon" will not bear very close examination, and it is coming to be recognised that the honest business principle of PAYMENT ACCORDING TO GOODS OR SERVICES RECEIVED should be employed in collecting taxes as it is in every department of trade and commerce. But apart from those important considerations ability to pay cannot be measured by income, and neither would it be possible to localise incomes or to prevent many wealthy people evading their responsibilities under a local income tax. The Royal Commission on Local Taxation, 1901, in the final report which was signed by 12 of the 15 Commissioners, said of a local income tax:—

"An income tax imposed and levied by Local Authorities within their own districts, tends more and more to be incompatible with modern social and political arrangements. The very conception is indeed obscure, for to what locality does an income belong? To the place or places from which it is derived? Or to the place or places where it is enjoyed, *i.e.*, where the recipient more or less permanently resides? In the first place it is probably becoming less and less common to find persons in receipt of large incomes who have a single fixed place of residence, and the problem at once arises as to the allocation of the taxable income among the two or more districts in which the recipient from time to time resides. . . . But even if these difficulties were surmounted, they are small compared with those involved in the question whether the income should be taxed at its source or its destination. . . . The technical objections alone would, in fact, be fatal to such a scheme, for it would dislocate our income tax system, and multiply indefinitely the fraud which that system has slowly reduced to a minimum. But apart from this practical difficulty, would a local income tax on such lines really satisfy anyone? Circumstances not unnaturally often lead wealthy people to congregate in districts far from those in which the sources of their wealth lie. In such districts the present system of local taxation is not oppressive and relief is little needed. But many purely agricultural and industrial districts number very few wealthy residents, and a tax on the incomes of the inhabitants would be more burdensome and less productive than the present rates. . . ."

Some examples of these difficulties may be seen in the following instances of well-known public men: One lives part of his time in Manchester and part in London. He gets his income from neither place, but spends some of it in each. How much will each place take from him under a local income tax? Another lives partly in London, partly in Ashton-under-Lyne, and partly on his estate in the south of England. His income, though chiefly spent in England, comes from his Colonial interests. How much will he pay to each district where he resides, and will the amount (if any) of taxes he pays to the Canadian Government be taken into consideration in fixing his contributions under a local income tax in this country?

The possibility of fraud under such a system was indicated by Lord St. Aldwyn in a speech a few years ago when he said: "In these days of international finance, nothing is easier than for people with incomes of over £5,000 a year to conceal their incomes from any possible inquiries by the Inland Revenue." The plan is to buy foreign stock and to draw the interest through a foreign bank, and that is done systematically by many large investors who thus escape the payment of income tax.

The foregoing brief examination of the local income tax leads to the conclusion that it is unsound in principle; it is "incompatible with modern social and political arrangements"; and if all the difficulties in the way of its adoption could be overcome, the cost of collection would be greatly increased; and it would leave untouched the root evil of a system that enables landowners to appropriate a large share of the benefits of municipal expenditure, and to check the natural growth of towns by the withholding of much valuable land from its most suitable uses.

Let us now consider the alternative proposal to make land values the basis of assessment, which the Budget valuation of land makes possible. Under this system rates would be levied upon the unimproved value of every site in the rating area, and all improvements would be rate-free. How that would operate can best be seen by considering the case of a town like Manchester. Manchester contains 21,646 acres, and of that total area about 11,000 acres are developed and 10,000 acres undeveloped. Under the present system nearly all the rates, amounting to about £1,500,000 per annum, fall upon the developed acres, because the 10,000 undeveloped acres—made up largely of land suitable for building but which is used for agriculture and which pays rates on only half its agricultural rental value, and unused land on which no rates at all are paid—contribute very little towards the local revenue. But with rates levied upon the whole 21,646 acres, in exact proportion to the true capital value of every site, the excessive burden that now falls upon the users of the developed acres would be very greatly lightened. If the proposals in the Land and Taxation Reform Memorial of May, 1911, are put into operation, still further relief will be gained by the transference of the cost of Poor Relief, Education, &c., from the rates on to the national exchequer and the financing of such services by a Budget Tax on the value of all the land in the country. The effect of rates falling on the unimproved value of all land will be to force much unused land into use and much badly used land into better use. Not only would as many of the 10,000 undeveloped acres in Manchester as are needed for houses and other industrial purposes become at once available at reasonable prices, but it would not be long before the unworthy buildings that now disfigure many valuable sites in that town would be pulled down and replaced by more suitable buildings—not merely because it would no longer pay to keep such property on valuable land, but also because building and re-building would be encouraged by the exemption of all improvements from rates.

An objection urged against the rating of land values is that it would mean the breaking of existing contracts. It is argued that covenants have been entered into whereby lessees agree to pay all the rates, and that it would be unjust to transfer any part of the burden on to the landowners. Strange to say, this objection is used by the advocates of a local income tax whose proposal would even more certainly break existing contracts than the alternative proposal to levy rates on land values. Under a local income tax owners of ground rents and chief rents would have to pay rates upon the incomes derived from those sources, without any regard to existing agreements to the contrary.

No private agreement, however, can limit the power of Parliament to impose new taxes, or to substitute a new

basis of assessment for an old one. The people who raise such objections are generally those who regard land merely as a means of investment. Land Values taxers take a wider view of the question and one that includes the rights of the 43,000,000 landless people in the United Kingdom as well as those of the alleged 2,000,000 landowners. That such a radical reform as the Taxation of Land Values should raise a howl of indignation from those whose interests lie in the maintenance of the present unjust system, is to be expected. But nothing will deter those who, recognising the truth that land values constitute a natural fund for public expenditure, are striving for those land values to be made the basis for future taxation, and for the restoration to all men, women, and children of their natural equal rights to the free gifts of a beneficent Creator. Their aims can be well and briefly stated in the words of Henry George: "We would simply take for the community what belongs to the community—the value that attaches to land by the growth of the community; leave sacredly to the individual all that belongs to the individual."

BELFAST SLUMS.

Miss Margaret Irwin, secretary to the Scottish Council for Women's Trades, says that the Belfast worker is worse housed than the Scotch. "In one particular instance," she states, "I encountered such filthy conditions that for the first time in many years of experience in this work I found myself unable to enter the house, and had to conduct the interview from the doorway. The house was quite unfit for human habitation." In the March quarter of last year the percentage of infant mortality in West Belfast was 28.1; in the whole of the other urban districts, 18.8; in the June quarter, 29.7, as against 17.0; in the September quarter 38.6, against 30.8; in the December quarter 24.1, against 18.3. During last year 1,521 infants under one year of age died in the City of Belfast. A district nurse attributes the ill-health of the people to "the low wages paid to the labouring classes." She stated in evidence that the quality of milk sold in the slums was not worth the money expended upon it. "In slum areas," she said, "it was very poor, and it was anything but clean."

A clergyman in Belfast, the rector of St. Aidan's Church, says that part of his parish is "plunged in dense and hopeless poverty," adding that this dense and hopeless poverty "could not be equalled within the boundaries of Belfast"—which means that it is very bad indeed.—From an article on Belfast by HAROLD BEGGIE in the DAILY CHRONICLE, September 17th.

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