

## FREE TRADE AND THE "UNEARNED INCREMENT"

(From the Speech Delivered by Mr. Churchill in Free Trade Hall, Manchester,  
December 6th, 1909)

You could not find a better object-lesson either for the defense of free trade or for the justification of land reform than the Manchester Ship Canal. What is the Manchester Ship Canal? It is a channel to enable foreign goods to be imported cheaply into this country. It is a tube to bring dumping into the very heart of our national life; and you have built it. You have built this canal yourselves; you have built it at a great cost. You have dragged the Trojan horse within your own walls yourselves; and you have thrived upon it. [Laughter and cheers.] You have actually thrived in the process of committing this extraordinary folly. The Manchester Ship Canal has been an enormous stimulus to the trade and prosperity of Manchester and Lancashire, and nobody denies,—nobody can deny it. What kind of fools are those who come to us and say that, when we have spent so much money in building a canal and making foreign goods cheap in the Manchester market, we should spend more money on Custom House officers and Custom House buildings in order to make them dear again? These arguments are not only against reason and logic, they are against nature. The free waterway of the canal is vital to Manchester. You might as well throttle the air pipe of a submarine diver in order to protect him from the draught [loud laughter] as to choke your Ship Canal with a protectionist tariff. It is worth while that those who are interested in the canal should observe that Mr. Wyndham ["Oh!"] in Liverpool proposed to tax timber, and Mr. Chaplin here in Manchester [groans]—don't let us hoot them; they have got a lot of trouble before them [laughter] —and Mr. Chaplin in Manchester declared that he intended to tax grain; and Mr. Balfour—of course, Mr. Balfour is a leader! He does whatever his followers tell him [loud laughter]—only, when he knows his followers are wrong he does it half-heartedly!

Well, timber is almost as important an item in the freights of the canal as cotton, and grain is more than twice as important in the freights of the canal as cotton—both cotton and grain are to be struck at by the tariff reformer, and I say, let all concerned in the prosperity of the canal take due notice; let the shareholders who have not had too much out of it, let them take notice; let the Manchester Corporation and the rate-payers of Manchester take notice, and let the dockers, let the men who unload the ships at the wharves, let them take notice of the amiable project which is in contemplation in their interest, in the traffic and activity of the Ship Canal.

Mr. Balfour has told us that he is going to exempt cotton. We must be thankful for small mercies, and I want to ask a question, Why are you exempting cotton? On what grounds? Surely highly scientific taxation is not going to descend to electioneering. If the foreigner will pay the duty on timber and grain, why will he not make a good job of it and pay it on cotton? If these articles have the faculty of not going up in the British market when they are taxed, why cannot cotton be made to come in on the same basis? Why should not the cotton growers of the United States be made to pay a toll for bringing their cotton to our markets? If cotton is to be exempted on the ground that it is a raw material of manufacture, why is not grain to be exempted on the ground that it is the raw material of human life? [Cheers.] What difference will it make to the cotton trade, if the ultimate cost of production is increased, whether it is increased by a tax on the cotton that the workers spin or a tax on the corn that they eat? The trade, as a whole, will have to bear the loss, and they will have to fight it out between them — the different sections of the trade — as to who is to take the principal share. There I foresee the avenue of disastrous consequences from which anyone who loves this great and famous country will desire to save it. All these questions arise from the consideration of that splendid work of British skill and enterprise which has brought the sea to Manchester. [Cheers.]

Now let the Manchester Ship Canal tell its tale about the land. It has a story to tell which is just as simple and just as pregnant as its story about free trade. [Renewed cheers.] When it was resolved to build the canal the first thing to do was to buy land. Before the resolution to build the canal was taken the land on which the canal flows—I do not know whether I ought to say flows [laughter]—I will say the land on which it goes—was in the main agricultural land, paying rates on an assessment of from 30s to £2 an acre. I am told that 4,495 acres of land purchased out of something like 5,000, I think, immediately after the decision to buy—4,495 acres were sold for £770,000 sterling, or an average of £172 an acre; that is to say, seven times the value of the agricultural land and the value on which it had been rated for public purposes. What had the landowner done for the community? What enterprise had he shown? What service had he rendered? What capital had he risked in order that he should gain this enormous multiplication of the value of his property? I will tell you in one word what he had done. [Cries of “Naught!”] Can you guess it? [Renewed cries of “Yes,” and “Naught!”] Yes—nothing. But it was not only the land that was needed for making the canal, the owners of which were automatically enriched, but all the surrounding land—large areas in particular places, land having frontages on the canal—rose and rose rapidly and splendidly in value, by the stroke of a fairy wand, without toil, without risk, without even a half-hour's thought. . . .

There was a time not long ago when less violent language was used about the taxation

of land values. A Tory House of Commons twice passed a bill affirming what was in principle a more drastic measure than our legislation now proposes. All the great municipal corporations throughout the land, the most Conservative as well as the most Liberal, have petitioned Parliament in favor of the taxation of land values. Royal Commissioners presided over by the most able and most prominent persons in the country, have explored the whole subject and pronounced in favor of the taxation of land values. Fifty years ago John Stuart Mill wrote in favor of it [cheers], and 100 years ago Adam Smith wrote in favor of it, and let me read you what they wrote. John Stuart Mill, in his "Principles of Political Economy," says:

"Suppose there was a kind of increment which constantly tends to increase without any exertion or sacrifice on the part of the owner. . . . Consistently with complete possession on the part of the owner in such a case, it will be no violation of the principles on which private property is grounded if the State should appropriate this increase of wealth or a great part of it as it arose. This would not properly be taking anything from anybody, but would simply "be applying an accession of wealth created by circumstances to the benefit of society instead of allowing it to become the unearned appendage to the rights of a particular class."

Adam Smith said more than 100 years ago, in the "Wealth of Nations:"

"Ground rents are a still more proper subject of taxation than the rent of houses. . . . Both ground rents and the ordinary rent of land are a species of revenue which the owner in many cases enjoys without any care or attention of his own. Though a part of this revenue should be taken from him in order to defray the expenses of the State, no discouragement will thereby be given to any sort of industry. . . . Ground rents and the ordinary rent of land are, therefore, perhaps the species of revenue which can best bear to have a peculiar tax imposed upon them."

These are the words of great economists and thinkers generally, but when a Prime Minister like Mr. Asquith, when a Chancellor of the Exchequer like Mr. Lloyd-George have the courage to come forward and make definite proposals they are assailed with a storm of abuse and insult, with howlings and ululations; then Parliaments are broken up and Constitutions are violated, and then we all have to take a hand in the game. I am not at all disturbed. We none of us are the least discomposed by the clamors which have been raised. We have put the land taxes into the Budget. When the Budget is carried, as carried it will be [prolonged cheers], the land taxes, unaltered, unmodified, will be there. Very important issues are at stake in the next few weeks in Britain. Do not underrate the importance of this land question. Every nation has its own way of doing things; every nation has its own successes and its own failures in particular lines. All over Europe you have a system of land tenure far superior, socially, economically, politically, to ours.

But the benefits of these superior land systems are largely, if not entirely, taken away by grinding tariffs on food and the necessities of life. Here in England we have long enjoyed the blessings of free trade and of untaxed bread and meat; but, on the other hand, we had to set against these inestimable boons a vicious and unreformed system of land tenure. In no great country in the civilized world, in no great country in the New or in the Old World, have the working classes yet secured the advantages both of free trade and of free land, by which I mean a commercial system and a land system from which, so far as possible, the element of monopoly is rigorously excluded. Sixty years ago our system of national taxation was effectively reformed, and immense advantages were reaped from that great work to which Sir Robert Peel and Mr. Gladstone contributed. Advantages were reaped not only by the poorest, but by the richest in the country as well. The system of local taxation today is just as clumsy and nearly as wasteful as the old unreformed system of national taxation. In many cases it is as great an impediment to progress, and it is, I think, the most depressing burden that the poorest class have to bear on their shoulders. I believe that it weighs today upon the interests of the country as heavily as the tariffs and the Corn Law sliding scales. "You who shall liberate the land," said Mr. Cobden, "will do more for your country than we have done in the liberation of its commerce."