

4 THE PEOPLE'S LAND

The best way to make private property secure and respected is to bring the processes by which it is gained into harmony with the general interests of the public. We are often assured by sagacious persons that the civilization of modern States is largely based upon respect for the rights of private property. If that be true, it is also true to say that that respect cannot be secured, and ought not, indeed, to be expected, unless property is associated in the minds of the great mass of the people with ideas of justice and of reason.

It is, therefore, of the first importance to the country — to any country — that there should be vigilant and persistent efforts to prevent abuses, to distribute the public burdens fairly among all classes, and to establish good laws governing the methods by which wealth may be acquired. The best way to make private property secure and respected is to bring the processes by which it is gained into harmony with the general interests of the public. When and where property is associated with the idea of reward for services rendered, with the idea of reward for high gifts and special aptitudes displayed or for faithful labour done, then property will be honoured. When it is associated with processes which are beneficial, or which at the worst are not actually injurious to the commonwealth, then property will be unmolested; but when it is associated with ideas of wrong and of unfairness, with processes of restriction and monopoly,

and other forms of injury to the community, then I think that you will find that property will be assailed and will be endangered.

Land differs from all other forms of property. It is quite true that the land monopoly is not the only monopoly which exists, but it is by far the greatest of monopolies — it is a perpetual monopoly, and it is the mother of all other forms of monopoly. It is quite true that unearned increments in land are not the only form of unearned or undeserved profit which individuals are able to secure; but it is the principal form of unearned increment which is derived from processes which are not merely not beneficial, but which are positively detrimental to the general public. Land, which is a necessity of human existence, which is the original source of all wealth, which is strictly limited in extent, which is fixed in geographical position — land, I say, differs from all other forms of property in these primary and fundamental conditions. Nothing is more amusing than to watch the efforts of our monopolist opponents to prove that other forms of property and increment are exactly the same and are similar in all respects to the unearned increment in land. They talk to us of the increased profits of a doctor or a lawyer from the growth of population in the towns in which they live. They talk to us of the profits of a railway through a greater degree of wealth and activity in the districts through which it runs. They tell us of the profits which are derived from a rise in stocks and shares, and even of those which are sometimes derived from the sale of pictures and works of art, and they ask us, as if it were the only complaint, 'Ought not all these other forms to be taxed too?'

Misleading analogies. But see how misleading and false all these analogies are. The windfalls which people with artistic

gifts are able from time to time to derive from the sale of a picture—from a Vandyke or a Holbein—may here and there be very considerable. But pictures do not get in anybody's way. They do not lay a toll on anybody's labour; they do not touch enterprise and production at any point; they do not affect any of the creative processes upon which the material well-being of millions depends; and if a rise in stocks and shares confers profits on the fortunate holders far beyond what they expected, or indeed, deserved, nevertheless, that profit has not been reaped by withholding from the community the land which it needs, but, on the contrary, apart from mere gambling, it has been reaped by supplying industry with the capital without which it could not be carried on. If the railway makes greater profits, it is usually because it carries more goods and more passengers. If a doctor or a lawyer enjoys a better practice, it is because the doctor attends more patients and more exacting patients, and because the lawyer pleads more suits in the courts and more important suits. At every stage the doctor or the lawyer is giving service in return for his fees, and if the service is too poor or the fees are too high, other doctors and other lawyers can come freely into competition. There is constant service, there is constant competition; there is no monopoly, there is no injury to the public interest, there is no impediment to the general progress.

Unearned increment. Fancy comparing these healthy processes with the enrichment which comes to the landlord who happens to own a plot of land on the outskirts or at the centre of one of our great cities, who watches the busy population around him making the city larger, richer, more convenient, more famous every day, and all the while sits still and does nothing. Roads are made, streets are made, railway services are improved, electric light turns night into day,

electric trams glide swiftly to and fro, water is brought from reservoirs a hundred miles off in the mountains—and all the while the landlord sits still. Every one of those improvements is effected by the labour and at the cost of other people. Many of the most important are effected at the cost of the municipality and of the ratepayers. To not one of those improvements does the land monopolist as a land monopolist contribute, and yet by every one of them the value of his land is sensibly enhanced. He renders no service to the community, he contributes nothing to the general welfare; he contributes nothing even to the process from which his own enrichment is derived. If the land were occupied by shops or by dwellings, the municipality at least would secure the rates upon them in aid of the general fund, but the land may be unoccupied, undeveloped, it may be what is called 'ripening'—ripening at the expense of the whole city, of the whole country, for the unearned increment of its owner. Roads perhaps may have to be diverted to avoid this forbidden area. The merchant going to his office, the artisan going to his work, have to make a detour or pay a tram fare to avoid it. The citizens are losing their chance of developing the land, the city is losing its rates, the State is losing its taxes which would have accrued if the natural development had taken place; and that share has to be replaced at the expense of the other ratepayers and taxpayers, and the nation as a whole is losing in the competition of the world—the hard and growing competition of the world—both in time and money. And all the while the land monopolist has only to sit still and watch complacently his property multiplying in value, sometimes manifold, without either effort or contribution on his part; and that is justice!

Unearned increment reaped in exact proportion to the disservice done. But let us follow the process a little further,

The population of the city grows and grows still larger year by year, the congestion in the poorer quarters becomes acute, rents and rates rise hand in hand, and thousands of families are crowded into one-roomed tenements. There are 120,000 persons living in one-roomed tenements in Glasgow alone at the present time. At last the land becomes ripe for sale — that means that the price is too tempting to be resisted any longer — and then, and not till then, it is sold by the yard or by the inch at ten times, or twenty times, or even fifty times, its agricultural value, on which alone hitherto it has been rated for the public service. The greater the population around the land, the greater the injury which they have sustained by its protracted denial, the more inconvenience which has been caused to everybody, the more serious the loss in economic strength and activity, the larger will be the profit of the landlord when the sale is finally accomplished. In fact, you may say that the unearned increment on the land is on all fours with the profit gathered by one of those American speculators who engineer a corner in corn, or meat, or cotton, or some other vital commodity, and that the unearned increment in land is reaped by the land monopolist in exact proportion, not to the service but to the dis-service done.

The drag on enterprise. It is monopoly which is the keynote, and where monopoly prevails, the greater the injury to society the greater the reward of the monopolist will be. See how all this evil process strikes at every form of industrial activity. The municipality, wishing for broader streets, better houses, more healthy, decent, scientifically planned towns, is made to pay, and is made to pay in exact proportion, or to a very great extent in proportion, as it has exerted itself in the past to make improvements. The more it has improved the town, the more it has increased the

land value, and the more it will have to pay for any land it may wish to acquire. The manufacturer purposing to start a new industry, proposing to erect a great factory offering employment to thousands of hands, is made to pay such a price for his land that the purchase price hangs round the neck of his whole business, hampering his competitive power in every market, clogging him far more than any foreign tariff in his export competition, and the land values strike down through the profits of the manufacturer on to the wages of the workman. The railway company wishing to build a new line finds that the price of land which yesterday was only rated at agricultural value has risen to a prohibitive figure the moment it was known that the new line was projected, and either the railway is not built or, if it is, is built only on terms which largely transfer to the landowner the profits which are due to the shareholders and the advantages which should have accrued to the travelling public.

Every form of enterprise only undertaken after the land monopolist has skimmed the cream off for himself. It does not matter where you look or what examples you select, you will see that every form of enterprise, every step in material progress, is only undertaken after the land monopolist has skimmed the cream off for himself, and everywhere today the man or the public body who wishes to put land to its highest use is forced to pay a preliminary fine in land values to the man who is putting it to an inferior use, and in some cases to no use at all. All comes back to the land value, and its owner for the time being is able to levy his toll upon all other forms of wealth and upon every form of industry. A portion, in some cases the whole, of every benefit which is laboriously acquired by the community is represented in the land value, and finds its way automatically

into the landlord's pocket. If there is a rise in wages, rents are able to move forward, because the workers can afford to pay a little more. If the opening of a new railway or a new tramway or the institution of an improved service of workmen's trains or a lowering of fares or a new invention or any other public convenience affords a benefit to the workers in any particular district, it becomes easier for them to live, and therefore the landlord and the ground landlord, one on top of the other, are able to charge them more for the privilege of living there.

The landowner absorbs a share of almost every public and private benefit. Some years ago in London there was a toll-bar on a bridge across the Thames, and all the working people who lived on the south side of the river had to pay a daily toll of one penny for going and returning from their work. The spectacle of these poor people thus mulcted on so large a proportion of their earnings appealed to the public conscience, an agitation was set on foot, municipal authorities were roused, and at the cost of the ratepayers the bridge was freed and the toll removed. All those people who used the bridge were saved sixpence a week. Within a very short period from that time the rents on the south side of the river were found to have advanced by about sixpence a week, or the amount of the toll which had been remitted. And a friend of mine was telling me the other day that in the parish of Southwark about £350 a year, roughly speaking, was given away in doles of bread by charitable people in connection with one of the churches, and as a consequence of this the competition for small houses, but more particularly for single-roomed tenements, is, we are told, so great that rents are considerably higher than in the neighbouring district. All goes back to the land, and the landowner, who in many cases, in most cases, is a worthy person utterly unconscious

of the character of the methods by which he is enriched, is enabled with resistless strength to absorb to himself a share of almost every public and every private benefit, however important or however pitiful those benefits may be.

The Manchester Ship Canal and unearned increments. 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. When it was resolved to build the Canal, the first thing that had to be done was to buy the land. Before the resolution to build the Canal was taken, the land on which the Canal flows — or perhaps I should say 'stands' — was, in the main, agricultural land, paying rates on an assessment from 30s. to £2 an acre. I am told that 4,495 acres of land purchased fell within that description out of something under 5,000 purchased altogether. Immediately after the decision, the 4,495 acres were sold for £777,000 sterling — or an average of £172 an acre — that is to say, five or six times the agricultural value of the land and the value on which it had been rated for public purposes.

Now 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. Can you guess it? Nothing.

But it was not only the owners of the land that was needed for making the Canal, who were automatically enriched. All the surrounding land either having a frontage on the Canal or access to it 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 many landowners in Salford, Eccles, Stretford, Irlam, Warrington, Runcorn,

etc., found themselves in possession of property which had trebled, quadrupled, quintupled in value.

Apart from the high prices which were paid, there was a heavy bill for compensation, severance, disturbance, and injurious affection where no land was taken — injurious affection, namely, raising the land not taken many times in value — all this was added to the dead-weight cost of construction. All this was a burden on those whose labour, skill, and capital created this great public work. Much of this land today is still rated at ordinary agricultural value, and in order to make sure that no injustice is done, in order to make quite certain that these landowners are not injured by our system of government, half their rates are, under the Agricultural Rates Act, paid back to them. The balance is made up by you. The land is still rising in value, and with every day's work that every man in this neighbourhood does and with every addition to the prosperity of Manchester and improvement of this great city, the land is further enhanced in value.

The shareholders and the ratepayers. I have told you what happened to the landowners. Let us see what happened to the shareholders and the ratepayers who found the money. The ordinary shareholders, who subscribed eight millions, have had no dividend yet. The Corporation loan of five millions, interest on which is borne on the rates each year, had, until 1907, no return upon its capital. A return has come at last, and no doubt the future prospects are good; but there was a long interval — even for the corporation. These are the men who did the work. These are the men who put up the money. I want to ask you a question. Do you think it would be very unfair if the owners of all this automatically created land value due to the growth of the city, to the enterprise of the community, and to the sacrifices

made by the shareholders — do you think it would have been very unfair, if they had been made to pay a proportion, at any rate, of the unearned increment which they secured, back to the city and the community?

The system to be attacked, not individuals. I hope you will understand that when I speak of the land monopolist I am dealing more with the process than with the individual landowner. I have no wish to hold any class up to public disapprobation. I do not think that the man who makes money by unearned increment in land is morally a worse man than anyone else who gathers his profit where he finds it in this hard world under the law and according to common usage. It is not the individual I attack, it is the system. It is not the man who is bad, it is the law which is bad. It is not the man who is blameworthy for doing what the law allows and what other men do; it is the State which would be blameworthy were it not to endeavour to reform the law and correct the practice. We do not want to punish the landlord. We want to alter the law.

We do not go back on the past. Look at our actual proposal. We do not go back on the past. We accept as our basis the value as it stands today. The tax on the increment of land begins by recognizing and franking the past increment. We look only to the future, and for the future we say only this, that the community shall be the partner in any further increment above the present value after all the owner's improvements have been deducted. We say that the State and the municipality should jointly levy a toll upon the future unearned increment of the land. The toll of what? Of the whole? No. Of a half? No. Of a quarter? No. Of a fifth — that is the proposal of the Budget, and that is robbery, that is plunder, that is communism and spoliation, that is the social

revolution at last, that is the overturn of civilized society, that is the end of the world foretold in the Apocalypse! Such is the increment tax about which so much chatter and outcry are raised at the present time, and upon which I will say that no more fair, considerate, or salutary proposal for taxation has ever been made in the House of Commons.

Tax on capital value of undeveloped land. But there is another proposal concerning land values which is not less important. I mean the tax on the capital value of undeveloped urban or suburban land. The income derived from land and its rateable value under the present law depend upon the use to which the land is put, consequently income and rateable value are not always true or complete measures of the value of the land. Take the case to which I have already referred of the man who keeps a large plot in or near a growing town idle for years while it is ripening — that is to say, while it is rising in price through the exertions of the surrounding community and the need of that community for more room to live. Take that case. I daresay you have formed your own opinion upon it. Mr Balfour, Lord Lansdowne, and the Conservative Party generally, think that that is an admirable arrangement. They speak of the profits of the land monopolist as if they were the fruits of thrift and industry and a pleasing example for the poorer classes to imitate. We do not take that view of the process. We think it is a dog-in-the-manger game. We see the evil, we see the imposture upon the public, and we see the consequences in crowded slums, in hampered commerce, in distorted or restricted development, and in congested centres of population, and we say here and now to the land monopolist who is holding up his land — and the pity is it was not said before — you shall judge for yourselves whether it is a fair offer or not. We say to the land monopolist: 'This property of yours

might be put to immediate use with general advantage. It is at this minute saleable in the market at ten times the value at which it is rated. If you choose to keep it idle in the expectation of still further unearned increment, then at least you shall be taxed at the true selling value in the meanwhile.' And the Budget proposes a tax of a halfpenny in the pound on the capital value of all such land; that is to say, a tax which is a little less in equivalent than the income tax would be upon the property if the property were fully developed. That is the second main proposal of the Budget with regard to the land, and its effects will be, first, to raise an expanding revenue for the needs of the State; secondly, half the proceeds of this tax, as well as of the other land taxes, will go to the municipalities and local authorities generally to relieve rates; thirdly, the effect will be, as we believe, to bring land into the market, and thus somewhat cheapen the price at which land is obtainable for every object, public and private, and by so doing we shall liberate new springs of enterprise and industry, we shall stimulate building, relieve overcrowding, and promote employment.

Nothing new in the principle of valuation for taxation. These two taxes, both in themselves financially, economically, and socially sound, carry with them a further notable advantage. We shall obtain a complete valuation of the whole of the land in the United Kingdom. We shall procure an up-to-date Domesday Book showing the capital value, apart from buildings and improvements, of every piece of land. Now, there is nothing new in the principle of valuation for taxation purposes. It was established fifteen years ago in Lord Rosebery's Government by the Finance Act of 1894, and it has been applied ever since without friction or inconvenience by Conservative administrations. And if there is nothing new in the principle of valuation, still less is there

anything new or unexpected in the general principles underlying the land proposals of the Budget. Why, Lord Rosebery declared himself in favour of taxation of land values fifteen years ago. Lord Balfour has said a very great many shrewd and sensible things on this subject which he is, no doubt, very anxious to have overlooked at the present time. The House of Commons has repeatedly affirmed the principle, not only under Liberal Governments, but — which is much more remarkable — under a Conservative Government. Four times during the last Parliament Mr Trevelyan's Bill for the taxation of land values was brought before the House of Commons and fully discussed, and twice it was read a second time during the last Parliament with its great Conservative majority, the second time by a majority of no less than ninety votes. The House of Lords, in adopting Lord Camperdown's amendment to the Scottish Valuation Bill, has absolutely conceded the principle of rating undeveloped land upon its selling value, although it took very good care not to apply the principle; and all the greatest municipal corporations in England and Scotland — many of them overwhelmingly Conservative in complexion — have declared themselves in favour of the taxation of land values, and, after at least a generation of study, examination, and debate, the time has come when we should take the first step to put these principles into practical effect.

The exemption of agricultural land from taxation. It is said that the land taxes fall too heavily upon the agricultural landowner and the country gentleman. There could be no grosser misrepresentation of the Budget. Few greater disservices can be done to the agricultural landowner, whose property has in the last thirty years in many cases declined in value, than to confuse him with the ground landlord in a great city, who has netted enormous sums through the

growth and the needs of the population of the city. None of the new land taxes touch agricultural land, while it remains agricultural land. No cost of the system of valuation which we are going to carry into effect will fall at all upon the individual owner of landed property. He will not be burdened in any way by these proposals. On the contrary, now that an amendment has been accepted permitting death duties to be paid in land in certain circumstances, the owner of a landed estate, instead of encumbering his estate by raising the money to pay off the death duties, can cut a portion from his estate; and this in many cases will be a sensible relief.

The concession to agricultural landowners. Secondly, we have given to agricultural landowners a substantial concession in regard to the deductions which they are permitted to make from income-tax assessment on account of the money which they spend as good landlords upon the upkeep of their properties, and we have raised the limit of deduction from twelve and a half per cent to twenty-five per cent.

The maligned Development Bill. Thirdly, there is the Development Act, which will help all the countryside and all classes of agriculturists, and which will help the landlord in the country among the rest. So much for that charge.

In no great country in the new world or the old have the working people yet secured the double advantage of Free Trade and Free Land together. Every nation in the world has its own way of doing things, its own successes and its own failures. All over Europe we see systems of land tenure which economically, socially, and politically are far superior to ours; but the benefits that those countries derive from their improved land systems are largely swept away, or at

any rate neutralized, by grinding tariffs on the necessities of life and the materials of manufacture. In this country we have long enjoyed the blessings of Free Trade and of untaxed bread and meat, but against these inestimable benefits we have the evils of an unreformed and vicious land system. In no great country in the new world or the old have the working people yet secured the double advantage of Free Trade and Free Land together, by which I mean a commercial system and a land system from which, so far as possible, all forms of monopoly have been rigorously excluded. Sixty years ago our system of national taxation was effectively reformed, and immense and undisputed advantages accrued therefrom to all classes, the richest as well as the poorest. The system of local taxation today is just as vicious and wasteful, just as great an impediment to enterprise and progress, just as harsh a burden upon the poor, as the thousand taxes and Corn Law sliding scales of the 'hungry 'forties'. We are met in an hour of tremendous opportunity. '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.'

THE PEOPLE'S WELFARE