

“THE PRINCIPLES OF LAND VALUE  
TAXATION AND FREE TRADE:  
THEIR NECESSARY RELATIONSHIP  
AND PRACTICAL APPLICATION  
AS THE REMEDY FOR  
UNEMPLOYMENT AND POVERTY”.

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BOMBAY 4.

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The term “taxation” is derived through the French, from Latin “taxare” meaning “to appraise”. Land value taxation is the political means whereby the appraised rental value attaching to land by reason of the presence of the people to be taken into the Public Treasury for the benefit of the people. Its fundamental principle is that each citizen shall contribute to the cost of government in exact ratio to the benefit received from government expenditure. Land is essential to human existence, as it is the only source from which can be obtained the things needed to sustain life. It is the demand for land which gives to it a value. In the early days of a country population is sparse, there is little in the way of public services, and land value is low. As population increases, there arises the need for public services of various kinds. Roads, foot paths, lighting, water, sewer, schools, and such like utilities are needed. Instead of each citizen providing his

share of the necessary services it is found more economical to have them constructed by collective effort. Therefore, a system of government is established. Representatives are elected to the various government positions, and they are charged with the duty of providing the public services needed. In the big towns and cities where population is greatest, there will the heaviest expenditure be necessary; In the rural districts the population is sparse; consequently there is not the same need for public utilities as in the more densely settled areas. The question naturally arises as to how citizens shall contribute to the cost of government. The fallacious idea advocated by many is that each should be assessed according to his "ability to pay". An examination of this principle indicates that it is immoral and unjust. It does not consider whether the wealth an individual enjoys has been obtained as the result of personal exertion or acquired by reason of monopolizing public benefits. Furthermore, it penalises producers according to their contribution to production, therefore, has a tendency to restrict the production of wealth. The correct principle for levying payment is to assess each citizen in "proportion to benefits of many kinds." The value of those benefits vary from little or nothing in the rural areas to an immense sum in our great cities, and reflect them-

selves in the value of the land, because it is only by possession of land that the benefit of such services can be enjoyed. How, then, should the assessment be made? The only just method is to allow the law of competition free play. In this way the benefit received by each individual by reason of possession of a certain area of land is correctly ascertained. How does the law operate?

There are certain sites which are more desirable than others, either for business or residential purposes. Some will be in the busy thoroughfares where a big amount of public money has been spent on necessary services. There will be keen competition for these as desirable business sites. On the other hand, there will be a demand for land in another part because it has all the attributes for an ideal residential centre. Then, again, some land needed for rural production will yield a bigger return than can be obtained from another site with the same expenditure of labour and capital upon it. Naturally, people will desire to have the exclusive possession of the more favoured sites, and as there is not enough of these for all, the only way whereby justice can be done is to allow competition to decide the premium people are prepared to pay to have the exclusive possession of these special sites, and use

that premium as revenue to pay the cost of the necessary public services. This premium is known as "LAND VALUE" and expresses the superiority of one piece of land over some other lot. In political economy it is called "The Law of Rent", and as defined by Ricardo states: "The rent of land is determined by the excess of its produce over that which the same application can secure from the least productive land in use." A word of warning is necessary in connection with Ricardo's definition. When the term "productive" is used, it must not be thought this has reference merely to rural lands. Although there is a tendency to associate production only with country land, it is quite correct to use the term in connection with land in the towns and cities. Business activity is merely an exchange of commodities, and exchange is one of the links in the chain of production. When this is realised it will be noted that the most productive land is not in the rural areas, but in our main business thoroughfares; and it will be seen that Ricardo's law has a special application to city land. Land value, is, therefore, essentially a people's value. It increases with every increase in population, and decreases with each decrease. Justice decrees that as land value is a people's created value it should be taken into the Public Treasury by means of land value taxation, and used as the benefit of the people who have been responsible for its existence.

## WHAT IS TRADE?

When dealing with the question of trade, the question naturally arises: How does trading arise, and why? Man is an animal whose existence depends upon a constant supply of food, clothing and shelter. His wants are continually increasing. Satisfy one desire and he immediately develops another. He is not satisfied with a mere existence but demands greater comforts, and luxuries. His desire takes on a variety of forms, and he is ever seeking new means for the satisfaction of his desires. The fundamental fact to be observed in connection with the satisfaction of these desires is that everything man needs is supplied from Mother Earth. The land is the great store house from which all raw material is obtained. This material is there in abundance, but it needs the application of labor to bring it forth, and alter it so that it may be utilized and consumed. It is therefore a law of nature that man must labour to obtain his sustenance, and as labour increases in efficiency the greater will be the reward for minimum of exertion.

In the early history of mankind, individuals provided almost all their own requirements. Their standard of living was low; they worked hard and did not enjoy a great variety of commodities. As civilization advanced, human being

become more intelligent and people realised that it was advantageous to exchange the products of their labor. Instead of producing all their own requirements it was found better to concentrate on the making of one line, and exchange it with other workers who produced different articles. This enabled the people to get more good things with a lesser amount of labor. This form of trade was known as barter. At a later period man developed a higher intelligence, a knowledge of natural powers and how to control them for his own benefit, and this meant greater efficiency. Transport facilities were developed, and trade extended from within the country to other parts of the world. The old system of barter was superseded by the introduction by money, which was used as a measure of value and a medium of exchange; but this does not alter the fact that in the last analysis all trade is merely an exchange of goods and services for goods and services. When this fact is fully grasped it will be seen that any interference with the free flow of trade must be detrimental to all parties interested in the trade.

### IS TRADE NECESSARY?

The question may be asked: "Is trade necessary?" The answer must be in the affirmative. Those individuals who attempt to supply all their

own needs remain near the savage state. Trade is a necessity for the development of the human race, and indicates an advancement in its economic well-being. Under modern conditions, no one attempts to supply his own needs. We have a specialisation of industry and division of labour. One section of the community will produce the foodstuffs, another will bring forth the minerals from the bowels of the earth, others will fashion the raw material into the finished production, while others will do the transport and clerical work. Each is as much engaged in the production of wealth as if he were engaged in rural pursuits. All are engaged in the process of trade and the best results are secured when no restrictions of any kind are imposed upon that trade. Under free conditions, each individual uses his labour and capital in the production of those articles which can be most economically produced by reason of specialisation, and then trades the surplus with other artizans who have been specialising in some other form of production. The exchange may be between two people in the same town, or between a person in a country town and one in the city, or it may be that a worker in one country exchanges that product of his labour from the product of worker domiciled in some foreign land. The point to be observed is that certain countries have natural advantages which enable



goods to be produced elsewhere. The same policy to be observed by all nations is to allow their workers to engage in producing these things for which nature has given them an advantage, and then by a policy of free trade, exchange their surplus with workers in other parts of the world who have a natural advantage in connection with the production of other commodities. Working along these lines, the people in every country would have benefit of the natural advantages which all other countries enjoyed, and they would be able to obtain a maximum satisfaction of desires with a minimum of exertion. The tariff barriers now erected by means of the protectionist policies of the world restrict competition, create monopolies, reduce the purchasing power of money, limit the demand for commodities and cause unemployment.

There are many people who profess to be free traders who have not yet grasped the true significance of these principles. Trade involves an exchange of commodities. Before commodities can be exchanged they must be produced. Production is not possible apart from land, therefore, it logically follows that any person who does not favor land value taxation as a means of liberating the land cannot consistently claim to believe in free trade. How can trade be free if it is blocked at its source?

## LAND ESSENTIAL TO ALL FORMS OF INDUSTRY.

All human beings are born into this world with an equal right to life. This involves right of access to land, because without land life is impossible. If we consider for a moment all the things needed for the satisfaction of human desires in the way of food, clothing, shelter, and tools of productions, we will note there is from Nature's storehouse—the land. When this right of access to land is granted to all, there can be no such thing as unemployment or poverty. What constitutes employment? Is it not merely applying labor to land in the production of the foodstuffs needed to sustain life, and in securing the raw material necessary for secondary production? Any one who cares to examine the question will see that land is the basis of all industry, therefore, it has a special relationship to all forms of employment. Many workers in factories imagine that as they do not wish to become farmers, the land question does not concern them. They fail to see that a factory building is merely land changed in form, also that the machinery used in the factory, and all raw material used come from Mother Earth. Divorce a worker of any kind from the land and he can live only upon the terms dictated by those who control natural resources. He may sing

“ Britons never shall be slaves ”, but he is just as much a slave as were those sold in the days of chattel slavery. While there is land monopoly, he can work only on the terms dictated by those in possession of the land, and can be compelled to hand over the landholder everything he produces above a bare living. It will thus be seen that those who control the earth decide the terms upon which man may labor, or may keep him unemployed. This is due to the fact that Governments have always made it easy to hold land out of use for speculation, and have consistently taxed land users. The landholding class have also appropriated all the benefits which arise from invention and discovery. Instead of labor-saving inventions being a blessing to mankind and permitting people to enjoy a greater amount of the good things of life with lesser exertion, they have under our present system merely added to the number out of employment. This is due to the fact that such machines have increased production, and wherever there is increased production, land value increases. Thus, instead of the community getting the benefit of the labor-saving machinery it has been capitalised by the landholding class and taken in increased rent for permission to use the earth. Instead of dealing with the **CAUSE OF THE TROUBLE** we find many alleged labor leaders urging the des-

truction of machinery as a means of solving the problem of unemployment. They fail to see the cause of the unjust distribution of wealth. They know that a worker who produces, say 100 units of wealth, cannot buy 100 units of goods under our present system. Apparently they do not see this is due to the fact that the landlord takes a percentage in the form of RENT, the manufacturer takes another share in increased prices by reason of "protective tariffs", and the Government take a further portion by taxation. Is it any wonder the purchasing power of the worker is low, and there is a restricted demand for goods? Can we wonder at the inequalities in the distribution of wealth when our man-made regulations permit some to take without giving an equivalent service in return?

### REMOVE THE CAUSE OF THE TROUBLE

What, then, is the remedy for this unjust state of society? Manifestly, the only sensible course to pursue is to remove the CAUSE of the trouble. If men are unemployed and in poverty because of the denial of the right of access to land, the only solution of the trouble is to restore the birthright that has been stolen from them. It is an anomaly to have idle land on one hand, and idle hands on the others, and people starving for want of the things which their labour could

produce if only land was made available to them. The active and passive factors must be brought together so that production can take place for the satisfaction of human desires. The best method for bringing this about is to work in accord with Economic Law. Let us by means of the taxation of land value take into the Public Treasury the annual value attaching to land by reason of the presence of the people. This is at all times a sufficient fund to defray the cost of all NECESSARY government. With revenue being collected from its natural source there would be no further need nor justification for imposing taxation upon the wages of labour, upon the food, clothing and shelter of the people, nor upon the tools of production or industry in any form. The adoption of a policy of this nature would automatically solve the problem of unemployment by rendering it unprofitable to hold land out of use, would increase wages to the full earnings of labor, by making more jobs than men ; lower the cost production by the removal of the taxation burden, reduce the prices of commodities by increasing supply, and thus give a higher standard of living to all. A policy of this kind would also have the effect of reducing the cost of government by abolishing unnecessary departments now in existence, and do away with the harassing interference with private enterprise so much in evidence under our present governmental system.

## A PEACE POLICY

A policy based upon the principles of land value taxation and free trade would also have an important bearing upon international relationships. While private individuals are allowed to appropriate land value there is always the incentive for vested interests in one country to attempt to get a controlling interest in gold mines, diamond fields, oil wells, or other natural resources in some other country, and this control is frequently the cause of war. The tariff barriers imposed by one country invite retaliation, create international strife, jealousy and discord, and are a potent cause of war. When land value is taken into the public treasury there is no special privilege to be gained by securing control of natural resources, and when commerce is allowed to flow freely in its natural channels, goodwill is established among the peoples of the world and the foundation laid for permanent peace.

## HENRY GEORGE PRINCIPLES ECONOMICALLY SOUND

The question naturally arises: "Are the principles of land value taxation and free trade as advocated by Henry George economically

and ethically sound? Dealing with the economic aspect first, we find his doctrine is merely the application of economic law to our social affairs. In the production of wealth, three factors are engaged, viz., Land, Labor, Capital. By Land we mean the earth, sea, and all natural resources. Capital is that portion of wealth produced by the application of Labor to Land, and used to assist in further wealth production. Labor as an economic term means all mental and manual exertion. These factors cooperating together produce all wealth, which may be defined as "natural products which have been secured, moved, combined, separated, or in any way modified by human exertion, so as to fit them for the gratification of human desires." When wealth has been produced, it is distributed as Rent, Interest and Wages.

If we desire a good definition of Wages we will find it in Adam Smith's "Wealth of Nations," wherein he states that "the produce of labour constitutes the natural recompense or wages of labour." In other words, wages is the return that labour can secure when it has free access to land. In a new country where plenty of land is available, and where it is of substantially equal productive capacity, no person receives anything in excess of

the marginal return, and there is no ground rent associated with land. As population increases, it is necessary for a section of the people to occupy land of an inferior quality or position, and a distinction arises; and the annual product of these settlers on the inferior land becomes the marginal return. As more people arrive, and population increases, not only does other land come into use, but the land of the original settlers ceases to be of equal utility and differences of ground rent arises among them. Various services are provided, and nearness to these becomes an important element of land value in that community. As the community grows, the difference in ground rent becomes greater, and the question of location rather than of fertility becomes of greater importance. But the point to be stressed in any community is that the value which lies at the back of the ground rent is the marginal return. Whatever amount is paid as rent for the exclusive use of any piece of land is paid because the landholder can retain as the result of his labour an amount of product equivalent to that obtained on the margin of production.

Now all men do not use their labour in direct production from the soil for their own immediate benefit, but do what is usually termed "work for wages". Whenever this happens, the "wages"



they are able to command in normal conditions is determined by the marginal return. An employer of labour offers as remuneration for services the lowest sum which he can induce his fellow man to accept. The employee cannot under ordinary circumstances demand more than the marginal return to labour operating on its own account. If wages did become higher than could be obtained working on marginal land, those producers would cease working on their own holdings and seek employment with some other individual. It will thus be seen that the real determiner of wages is the amount that can be obtained working for one's self at the margin of production. This is termed the Law of Wages. From this it will be seen that anything which tends to depress the margin of production will result in lower wages, and that anything which operates to extend the margin brings an increase in wages. This illustrates the relationship of the land to the wages question, and shows that only by making land free of access to all by taking land value for public purposes is it possible to get a real rise in the wages of labour, and find a satisfactory solution for the problems of unemployment and poverty.

Reference has been made to Capital as one of the factors in the production of wealth, and its

return is classified as INTEREST in political economy. Capital is merely stored-up labour power and its producer may seek advantage of this stored-up utility by using it himself, or selling it to other people, either outright or for a limited term. If Capital is sold outright, the price paid is that determined by the marginal buyer and seller--the producers on the economic margin. If the Capital is only loaned, or sold for a definite term, the owner gets what is termed INTEREST, and his return is subject to the universal law of the market, and, here again, the marginal borrowers and lenders determine the rate of interest. One thing of paramount importance in considering the question of Interest is that PRIMARILY it is not a matter of borrowing and lending. A producer using Capital to assist him in production enjoys Interest because of the use of that capital, in addition to Wages for his labour. Henry George proves that Interest arises because of the vital forces of nature, and the capacity for exchange. He sums up the Law of Interest as follows:—

“The relation between wages and interest is determined by its use in reproductive modes. As rent arises, interest will fall as well as wages or will

be determined by the margin of cultivation." When this important point is fully realised we shall not hear so much about the enmity between labour and capital, but it will be seen that labour and capital are handmaidens engaged in the production of wealth, and that the common enemy of both is land monopoly, which dictates the terms on which both may be employed.

From the foregoing it will be seen that when stated as an economic proposition we find that RENT is the payment for the use of land, WAGES is the return to Labour engaged in production, and INTEREST is the share that goes to capital that has been used in the production of Wealth. No person having created land, it follows no person has a right to appropriate Rent for private purposes, but it should go into the Public Treasury as it is the NATURAL SOURCE from which the expenses of government should be obtained. On the other hand, Wages and Interest being a return for Labour and Capital used by individuals should be left sacredly as the property of Individuals and no Government has the right to take any portion by taxation.

## THE MORAL ASPECT

In addition to considering this question from its economic aspect it is necessary to give it ethical consideration. Morality arises out of human relationships, and is a question of right—dealing and equitable transactions between man and man. There is an idea of duty underlying all ideas of morality, and this arises out of our relationship and responsibility towards our fellows, and it owes its origin to our social life. The moral law expresses that a thing is withdrawn from the free choice of the doer, and does not concern his personal inclinations. The moral law, to the recognition of which mankind is advancing, is the sum total of the rules, the execution of which would cause the lasting welfare of mankind. The moral law inseparably links CAUSE and EFFECT. It insists that the thing produced belongs by RIGHT to its producer. Judged by this standard the doctrines of Henry George ring true. They stand for the principle that all values created by the individual remain sacredly the property of the individual responsible for their creation. They likewise assert that where a value attaches to land by reason of the presence and collective effort of the community, that value must go into the

Public Treasury to be used for the benefit of the community which brought it into existence. Therefore, it will be seen that the principles of land value taxation and free trade are based upon JUSTICE, and only by their adoption can the Kingdom of Righteousness be established on earth.

In his masterly work :—“PROGRESS AND POVERTY” (Which every one should read) Henry George said :—

*“The truth that I have tried to make clear will not find easy acceptance. If that could be, it would have been accepted long ago. If that could be, it would never have been obscured. But it will find friends—those who will toil for it; suffer for it; if need be die for it. This is the power of Truth”.*

May we enroll you, dear reader, as a standard bearer in the great fight for Truth?

“Vigilant”