

"ANSWERS TO OBJECTIONS"

By Alderman F. C. R. Douglas, M.A.
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Father McLaughlin is quite correct. The repetition of a formula does not make it true. The only test of its truth is whether it accords with the facts. On the other hand, it is quite immaterial that a theory "has failed to convince the bulk of mankind." The Christian religion has not done so, but I am sure that fact does not disturb Father McLaughlin's faith. The real test is whether it is true, and that test in the case of a scientific theory is the extent of its agreement with the facts.

The taxation of land values, says Father McLaughlin, is a useful measure in a diseased community (and where is there any civilized community that is not diseased?) but its theory, he says, is inapplicable in a healthy community.

He pictures (as Henry George does in *PROGRESS AND POVERTY*) a community growing up from the smallest beginnings. As settler after settler comes along, the advantages of co-operation and division of labour appear. The productive power increases and wealth becomes greater. As this occurs the central sites, upon which production and exchange can most effectively be carried on, gradually increase in value (in spite of their having no natural advantage of fertility or otherwise). Assuming, as Father McLaughlin appears implicitly to assume, that there is unrestricted and absolute property in the land, the first settlers who happen to occupy these central sites find in course of time that they have become enormously valuable, and by renting them out they can enjoy that value without working or giving their fellow men anything in return. Father McLaughlin suggests that this is a healthy community. But is it? I think that the moral sense and the common sense of mankind says No.

Now, I admit that I have not painted the growth of this ideal community in quite the same language as Father McLaughlin, and I hasten to point out where the difference is, as I do not wish to misrepresent him. Father McLaughlin has introduced into his argument an implied assumption that every member of the community will be equally benefited by the increase in the value of the land. He has introduced this assumption by the use of one of the most dangerous words in economic analysis: the word "we." He says that "we," the community, have made the land more valuable, and he implies that "we" all share in its increase (and share more or less equally). This is not true. Some of that "we" obtain a very large share, some a small share, and some (or more likely many) who own no land get no share at all.

And there is possibly another implied assumption in Father McLaughlin's article which does not square with the facts, the assumption that all the new-comers who come to this ideal community will find land available for them to use. In fact, they will not (unless perhaps at such a distance from the centre of civilization and under such conditions that they can hardly make a living from it at all). Indeed, the new-comers will find something much worse: they will find that the old-comers have recognized the strength of Father McLaughlin's argument as to the growth of land values concurrently with the growth of the community and have had the foresight to appropriate all the land in the outskirts of the community and are holding it until it rises in value sufficiently to satisfy their cupidity. That is the fate to which every "healthy community" (as Father McLaughlin calls it) ultimately tends, if it does not apply the principle of appropriating the value of

land for the benefit of the community as a whole. If it did that it would indeed be a healthy community, as Father McLaughlin asserted it to be by the implied assumption that "we" all benefited equally by the increase of land value. In other words, Father McLaughlin implicitly put the principle of the taxation of land values into operation in his ideal community in order to prove that it was unnecessary to put it into operation.

Father McLaughlin says that we must not consider diseased communities where, as he says, the taxation of land values is applicable and necessary; we must only consider so-called "healthy" communities. But when we do consider these it is apparent that they will in course of time become diseased communities unless the fundamental principle of the taxation of land values is applied—unless land value is taken for the benefit of the community in general.

Now let me deal with one or two of Father McLaughlin's minor (and really rather trifling) objections. Where, he asks, is the money to come from to pay the tax on land values in respect of a piece of vacant land? He suggests that it must come out of the produce of industry on other land belonging to the same owner. If that were so, there would be no inconsistency in it; if a man chooses to keep land idle he should compensate the community for it, even out of his own pocket. But in fact the money to pay the tax will in most cases come from the revenue derived from putting the piece of land to use. The reason why the land is valued at a certain figure is because it will produce a certain net return after allowing for the normal remuneration of labour and capital on it. And if it is used the money to pay the tax will come from that net return. It is just because the economic effect of the taxation of land values is to prevent land being held out of use and being held for speculative purposes, that it is so necessary in our diseased community.

Another objection is, in effect, that it is impossible to distinguish how much is due to the community and how much is not, because if there were no community there would be no values at all. It looks like the old dilemma—which blade of a pair of shears cuts the cloth? If one blade were absent, no cutting could be done. Those who are not perplexed by metaphysical abstractions will make the simple answer that both blades act equally. In the same way, the practical man will answer Father McLaughlin's dilemma by pointing out that the problem solves itself. The value of the land, due to the competition of the members of the community for it, supplies the measure of what is to be attributed to the public. To the economist the matter is perfectly simple. The taxation of land values is an economic question as well as a moral one, and indeed its full moral bearing cannot be appreciated by one who does not understand its economic aspect.

Every time a proposition is put before this House to increase building by existing and customary materials, the price goes up. It is £100 higher to-day for a house than it was two years ago. When the Coalition Government made a proposition the price went up twice, and the Minister of Health had to sacrifice, not only his proposals, but himself. When the right hon. Gentleman who is now the Minister of Health held office in a former Conservative Government, he had to face the prospect of adding another £70 to the price of a house. The Minister of Health of the late Labour Government made a proposition in order to give an extra £9 a year, and it was all consumed in the interest upon the extra cost of building material.—*Mr. E. Rosslyn Mitchell, M.P., in the House of Commons, 11th February.*