

## DEATH DUTIES ON AGRICULTURAL LAND

IN RECENT weeks a voluminous correspondence on this subject has been published in *The Times* following upon a letter from twenty-five members of the two Houses of Parliament on 6th January pleading for a postponement of payment of death duties on agricultural land until the land was actually sold. As the authors of this letter themselves estimate that their proposal would cost the Exchequer £1,000,000 a year the plea, although in form one for postponement, is in effect for remission of taxation on landowners.

Although the supporters of this idea did not have matters all their own way, for notable letters of criticism appeared from Mr Alfred Beesly, Sir Peter Chalmers Mitchell, and Mr R. R. Stokes (and others no doubt went into the editor's wastepaper basket), nothing could illustrate better than this correspondence the extent to which aristocratic and feudal ideas still dominate the minds of the "upper classes" of this country. Equally plausible arguments might have been propounded in favour of exempting, let us say, cotton manufacturers from taxation, but we doubt whether *The Times* would have given the hospitality of its columns to letters in favour of that for many days on end.

Like all special pleading in defence of privileged interests the authors of this proposal urge it upon the ground that it will be for the benefit of the farmer and of the community but not at all for the benefit of the landowner. It is alleged to be for encouraging the investment of capital in agriculture, but there is no hint that it is more likely to maintain or raise the value of agricultural land. Nor is there any indication of what other class in the community is expected to bear the additional taxation needed to make good the loss to the Exchequer. One million pounds a year is no doubt a trifling sum in the eyes of these gentlemen to impose upon the rest of the people in order to help the "much-consuming aristocracy."

Proposals of this kind must be wrapped up in ambiguous and sophisticated phrases in order to conceal their real nature and to make them palatable. "Investment of capital" has a meritorious sound, and it is invoked in this case just as the protectionists use it to defend tariffs. But there is no idea of exempting the capital of the tenant of agricultural land from death duties. What it is proposed to exempt is in large measure land value, and not capital, but that is not mentioned because there is no merit nor sentimental appeal in it.

It is pleasant to talk of the "partnership of landowner and tenant." It would be odious to describe the relationship as that between a parasite and its host. What do the two parties to this "partnership" provide? The tenant provides the livestock, deadstock, and skill. The landlord provides the land, which he never made nor could make. But it will be said that the landlord also provides the farm buildings and other permanent improvements on the land. This is largely true, especially in England where yearly tenancies prevail, because it is impossible for a tenant on short tenancy to make permanent improvements, as his "partner" could confiscate them. Nor is it to be forgotten that the means with which to make these permanent improvements came out of the rents paid by the tenants. The magnificent halls and mansions which adorn the great estates are a monument to the industry of the tenants who provided them for the landlords. If the agricultural landlord wishes to continue to draw his rents he must provide the improvements required, so

long as he does not give his tenant sufficient security of tenure to enable the tenant to do so.

A clear distinction must be made between land value and improvements. Land value is nothing but a toll which is levied by the owners of land for permission to use land. To reduce or to abolish such taxation as falls upon land values does nothing to encourage agriculture. It only enables the owner to retain more of the rent he collects for his own benefit. It is not relevant to say that if taxation (so far as it falls on land values) is remitted, the owner will spend more upon improving his estate, because there is no economic incentive to make him do so.

To remit or abolish taxation on improvements is quite a different matter. Such taxation does undoubtedly discourage the making of improvements; it is part of the cost of production which must be recouped out of the price of the product. But there is no stronger argument for such remission in the case of agriculture than in any other case. It is just as desirable to encourage the production of dwelling-houses, or of boots and shoes, or of any other product, as it is to encourage agricultural production. No distinction can be drawn, because any of these things can be exchanged for others, and that kind of production is in the long run most advantageous which enables people to obtain with the least sacrifice the things they require, whether they obtain them directly or by exchange.

Reduction of taxation on improvements will necessitate the raising of revenue elsewhere. If that taxation is not to be reimposed on production in some other form it must come from land values. And there is another reason. If land values are exempted from taxation there is nothing to prevent the holding of land out of use and the consequent increase of rent on such land as is used. In order to make certain that any relief of taxation given to production is not taken away again by owners of land in increased rent, it is absolutely essential that land values should be taxed higher as other taxes are reduced.

It is only on these lines that taxation can be re-adjusted so as to encourage either agriculture or any other productive industry.

F. C. R. D.

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