

LAND & LIBERTY

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All communications to be addressed to the Editor.

Telegrams: "Eulav, Sewest, London." Telephone: Whitehall 6008.

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MR LLOYD GEORGE AND OTHERS

It is not from the produce of the past that rent is drawn; it is from the produce of the present. It is a toll levied upon labour constantly and continuously. Every blow of the hammer, every stroke of the pick, every thrust of the shuttle, every throb of the steam engine, pay it tribute.—HENRY GEORGE.

The final version of Mr Lloyd George's "New Deal," now published* adds little to what was made known in his speeches last winter. There are a few lines in which the problem is very well stated. "We are faced with a situation in which, if it is allowed to continue unchanged, we shall always have 16 per cent, or, say, one in six, of the available workers of the country standing idle. On the other hand, we have a country whose resources and opportunities are not wholly utilized and developed."

Mr Lloyd George rightly says: "That is the core of the problem." But the consequences are not consistently worked out, nor are the causes even stated much less examined. The cardinal error will be found in the following passage: "The basic principle of our present system is that the yearly income of the nation passes to its citizens as payments earned by them through their labour or through the services rendered by their capital." There is no mention here of that very large portion of the national production which passes to the owners of land, not in exchange for any service rendered by them, but in return for permission to make use of the natural resources. Why is it that those resources "are not wholly utilized and developed?" No explanation is vouchsafed.

Mr Lloyd George quotes with approval the statement by Mr Butler, Director of the International Labour Office, that "the great bulk of national production must find its outlet in the home market—in other words, must be bought by the people of the country, the great majority of whom are wage and salary earners." If these persons are to be purchasers, they must also be producers of articles which they can exchange for what they desire to purchase. So we come back once more to the problem of idle natural resources of which no explanation is anywhere to be found in this document.

In the section dealing with housing and regional planning the memorandum says that although the financial responsibility would be large "the advantages due to increased efficiency and improved conditions, both for living and working, would be commensurately great." Mr Lloyd George goes on to say that these advantages cannot be traced to and recovered from each person who benefits by the saving of time and exhaustion, and that this justifies the bearing of some

* *Organizing Prosperity*. Ivor Nicholson & Watson, Ltd., 6d.

part of the cost by the public. Nevertheless, the landlords will soon discover and competition will assess in higher rents and land values the advantages of public improvements.

The report continues: "But this cost might be recouped if steps were taken to secure for the public a fair share of the betterment values which such developments would create. It is well known that immense new values are created when new transport facilities open up an area for housing development. Round Golders Green and Edgware vast fortunes were made for landowners and land speculators by the advent of the Tube—fortunes which paid no tribute at all towards the cost of the transport services which gave rise to them. It has been estimated by competent authority that the increased land values created by the construction of the Watford By-pass Road were sufficient to pay the cost of its construction twenty times over. Had these enormous values accrued to the public, transport facilities might have been extended and cheapened, and there would have been a handsome surplus available for the provision of open spaces and other improvements."

Then follows the only recommendation in the book relating to land values. "Without entering into controversy as to the precise methods to be adopted, it may be laid down as axiomatic that steps should be taken, either by land purchase, by taxation, by betterment levies or otherwise, to secure from the increased land values created by development schemes a fund which, as has already been pointed out in the Golders Green case, would not only suffice to recoup the original outlay and furnish compensation in respect to the sterilization of land for open spaces and other amenity purposes, but to improve and cheapen transport."

This statement suffers from two defects. First, it indicates that the only problem is to take increased land values in order to pay part or all of the cost of public improvements. It contains no recognition of the handicap which all enterprises, private and public, suffer in the exorbitant prices which are asked for land before they can have a chance of *beginning*. The price is already loaded against the land user before the work begins. The landowner does not wait for a higher price until the improvement is effected.

Second, the remedies proposed are both inadequate and inconsistent. Betterment, though attractive at first glance, is unworkable in practice. Land purchase is not a means of recouping the public, but a means of safeguarding the landlord. As already remarked, the price which is asked for land usually anticipates future advantages for a long way ahead. If the landlord is bought out, he is made certain of his gain immediately instead of having to wait and possibly realize it piecemeal. The only workable means of recouping the public is by taxation, provided that such taxation is applied to all land values and not merely to increments. The experience of Mr Lloyd George's own legislation in 1909 proves how ineffective and cumbrous increment taxation is. Moreover, the whole value of land is an increment, and the value of land reflects the future rents which may be drawn from it. Increment taxation is bound to start from a datum line which has already discounted future increments. Most important of all, it is only by the steady pressure of rates and taxes levied upon the full value of land that we can be certain of forcing unused land into use.

It is interesting to observe that almost at the same time as Mr Lloyd George's scheme was published there appeared a similar but more elaborate statement under the auspices of a large number of persons prominent

in various walks of life.* The proposals in the two documents are in many ways similar. In particular reference is made to the increases in land value due to the building of roads and other public works. It is proposed that the Road Fund should be largely financed by "a tax imposed on property values enhanced by public action" (p. 48). And at a later point, discussing the sources from which should come the revenues necessary to carry out the many schemes which they envisage, the authors say: "One obvious source . . . is the increment in land values which accrues to the owner, entirely unearned, through public policy in developing a district, building roads or railways, or in other ways. We recommend that measures should be taken, whether by means of previous purchase or by taxation, to secure for the public revenue such increments of value as are due to public action" (p. 207).

This, if anything, brings out the inherent weakness of such proposals still more clearly. Who is going to determine what part of the increment of land values is due to public action, in the sense of action by the State, and what part is due to the action of the community apart from the State. Land value is not all due to State action; it is in a very large measure due to the very presence of population. Whichever of these inextricably mixed sources is responsible, land value is rightfully due to the community, and not merely the increment after any given date but the whole.

As for securing increments of land values by land purchase, both of these schemes involve proposals for public works and other activities covering a very large part of the country, and any attempt to purchase all the land likely to benefit would involve purchasing the major portion and the most valuable portion of the British Isles.

Space will not permit us to follow the controversy between Mr Lloyd George and the Government. We will only refer to the criticism that his agricultural proposals would involve a great artificially created increase in the price of food. It is a curious reproach to come from an administration whose policy is based upon doing that very thing, but it is a criticism to which Mr Lloyd George has laid himself open both because of his assumption that tariffs have come to stay and by his refusal to recognize that what is required for the salvation of agriculture, as of other industries, is reduction of rent.

It is here that both parties are at one. They refuse to see the toll which day after day is being taken from the producers in rent. They refuse to see that the high prices asked for land are preventing the use of land and holding men out of employment.

Let us suppose that all the schemes for spending public money which are adumbrated in these two books were carried out during the next five years. Let us assume that during their progress there was a considerable spurt in employment (an assumption which is open to grave question, for they might merely involve the displacement of resources from one purpose to another), what would be the position in this country a few years later? Would the problem of unemployment have been permanently solved, or would our one in six of unemployed again be present?

Is it not true that the only way in which all our people can be kept permanently employed is in making the food, clothes, furniture, houses and other articles which they require for their day-to-day use? Neither of these programmes sheds any real light upon this problem, and they cannot throw any light upon it because they assume that private monopoly of land must

remain for ever part of our economic system, and that the most that can be done is occasionally to skim off a little of the enhanced land values to pay for some scheme of public works. Such proposals are more than a generation out of date. Valuable time is being lost. Unemployment and poverty are crying out for a remedy, and that remedy is not to be had without a thorough-going recognition of the basic importance of man's relations to the earth.

F. C. R. D.

* *The Next Five Years*, Macmillan & Co. 5s.