

ing two Bills in Parliament. The Conservatives defeated these attempts.

It was natural to expect that with the return of a Labour Government with a large majority in 1945, the Labour Party would pick up the threads of the two previously abortive attempts to introduce Land-Value Taxation and make good their pledges to legislate for the local rating of site values and a national tax on land values. *They didn't.*

The leaders of the post-war Labour Party declined to follow in the footsteps of their predecessors and, as part of their overall scheme to establish a government-planned economy, introduced the Town and Country Planning Act (1947) with its development charges (represented as land taxes).

This tortuous Act purported to deal with the problems of compensation and betterment, land scarcity and high land values. Land use was frozen to existing use and the future development rights nationalised by allocating £300m as compensation to landowners who lost the future development value of their land.

The Act is far too complicated to describe in any detail. It was never fully understood by anyone, not excepting the Government itself. It bristled with legal and technical complications, anomalies and absurdities.

- The "land tax" provisions were embodied in the development charge, a charge which fell immediately there was a change in the use of land. The bigger the change or material development, the bigger the charge.

- No taxes or charges fell where land remained in its existing use, even if the land increased in value.

- Where the charges fell on change of use or redevelopment of land, they had no real relation to land values (whether released by planning permission or not), only to the value of the development.

Protests came from politicians of the left, right and centre, from professors, planners, the people and the Press. And with justification. And yet this monstrous Act was heralded by the *Christian Science Monitor* as the fulfilment of Henry George's ideas! Perhaps they were misled by the excited waving of a copy of *Progress & Poverty* in the House of Commons by an enthusiastic but not too well-informed Labour member during the debate.

When the Conservatives were returned to power the Development Charges were among a number of the provisions of the 1947 Act that were repealed.

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CONSISTENCY, declared Winston Churchill on one occasion, is the bugbear of little minds.

In one sense, that aphorism summarises his career. He changed party twice, and often caused considerable embarrassment in whatever ranks he chose to join. And his attitude both to Hitler and to Stalin underwent dramatic and swift changes.

And yet, in another sense, Churchill was a good deal more consistent than many politicians. His patriotism was never in doubt. He was always fundamentally a Free Trader, although he was often prepared to make compromises which infuriated purists. And he was a keen land reformer: again, not the sort of man to nail his colours to one mast and go down with his ship rather than abandon those colours, but a consistent believer in the importance and necessity of land reform in the spirit of Henry George.

Churchill's belief in land value taxation went back a long way. At Caernarvon, in October 1904 — as an Opposition backbencher — he declared that it would be necessary to give effect to the almost unanimous demand for the taxation of land values".¹

This expression, "almost unanimous", was something of an exaggeration, but not as much as it may seem. Well over 500 local authorities — Conservative as well as Liberal — had petitioned for the right to levy rates on the basis of site values, and in the overwhelmingly-Conservative House of Commons of the day, a Bill in favour of site value rating had not long passed its second reading, winning substantial support from Ministerial supporters.²

AS A JUNIOR minister in Campbell-Bannerman's Liberal Government, Churchill did not resile from the views he had expressed in opposition.

- At Glasgow, in October 1906, he spoke of the "determination . . . to intercept all future unearned increment which may arise from the increase in the speculative value of the land".

- In his first major speech on the land question, delivered at the Drury Lane Theatre in April 1907, he called for "a universal valuation of the land, rural and urban" on the basis of "fair market value of the land, apart from the buildings and improvements of all kinds".



Churchill contended that "the present land system hampers, hobbles and restricts industry . . . a reform of our rating system and our system of land tenure would be followed by an upward movement in the material welfare of the nation."

He made an important point which is often missed by proponents of land reform. The injurious effect of a bad land system does not lie just in the fact that some people become richer and others become poorer than would otherwise be the case. This imbalance is only preserved by "vexatious obstruction of social and economic progress far more injurious and wasteful than could be measured by their own inordinate gains".

Churchill, however, had a disposition to introduce quasi-moral judgments into his dialectic.

"There are only two ways in which people can acquire wealth", he once declared. "There is production and

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there is plunder. Production is always beneficial. Plunder is always pernicious . . ."

The inference seemed to be that beneficiaries under the existing land system were "plunderers". When we read the speech carefully, we see that he disavowed that inference; but people do not always read politicians' speeches carefully, and unnecessary animosity was aroused.

Such speeches from Churchill, and others, served to explain why Lloyd George's celebrated Budget of 1909 sparked off such a furious controversy: a controversy which would hardly have been anticipated after the relatively uncontentious character of the site value rating proposals in the previous Parliament.

Churchill — by now a member of the Cabinet — jumped in with both feet. His speech in Edinburgh on 17 July 1909 is a model of lucid argument, largely free of surplus and counter-productive polemic.

"Land", he declared, "which is a necessity of human existence, which is the original source of all wealth . . . is strictly limited in extent . . . is fixed in geographical position (and) . . . differs from all other forms of property in these primary and fundamental conditions."

No doubt, he went on to argue, there are examples of people making inordinate profits from things other than land: the sale of a picture, for example. "But pictures do not get in anybody's way." Speculators in stocks may receive "profits . . . 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".

By contrast, the owner of land who holds it out of use in speculation on rising land values does much harm. "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 other ratepayers and taxpayers, and the nation as a whole is losing in the competition of the world . . . both in time and money".

This Edinburgh speech is typical of others which Churchill delivered about

that time; it must be read in full to savour its penetrating logic.

Yet there was the usual confusion in the public mind between attack on a system and attack on individuals who benefit from that system. Churchill's opponents returned the attack in full measure. A few weeks later, the bloodthirsty Duke of Beaufort proclaimed his wish "to see Winston Churchill and Lloyd George in the middle of twenty couple of dog hounds".

WHAT HAPPENED, in the end, to Churchill's land taxing enthusiasm?

This is not an easy question to answer. In 1917, he accepted office in

Land monopoly is not the only monopoly, but it is by far the greatest of monopolies — it is perpetual monopoly, and it is the mother of all other forms of monopoly.

Unearned increments in land are not the only form of unearned or undeserved profit, but they are the principal form of unearned increment, and they are derived from processes which are not merely not beneficial, but positively detrimental to the general public.

I have made speeches by the yard on the subject of land value taxation, and you know what a supporter I am of that policy.

Winston Churchill

by Roy Douglas



Lloyd George's Coalition, after a period out of government. As the law then stood, he was required to submit to a by-election in his Dundee constituency.

Questioned on land taxing, he replied: "I have made speeches to you by the yard on the subject of land value taxation, and you know what a strong supporter I have always been of that policy."³

And yet, three years later, that same Lloyd George Coalition, with Churchill still an important member,

abolished the very land taxes which had been the matter of such intense controversy in 1909-10.

Lloyd George's defence of his own apparent *volte-face* would doubtless have been echoed by Churchill: that the yield of those taxes was so trifling that it did not justify their continuance. In a sense, that was correct; but it misses the most salient argument advanced at the time of the Budget debate.

Lloyd George had not introduced those taxes in the first place for their own sake but because they seemed to offer a device for slipping through a general system of land valuation, on which it might later prove possible to apply land taxation.

That valuation had not been completed by 1914, and there was not the remotest chance of persuading the Parliament which sat in 1920 to resume it. So why preserve futile taxes whose object had been to facilitate a now-impossible valuation?

IN 1922 the Lloyd George Coalition fell, and Churchill suddenly found himself "without an office, without a seat, and without an appendix".

In the following year, Prime Minister Baldwin called a General Election on the Protection-versus-Free Trade issue, and Churchill unsuccessfully sought election as a Liberal.

At the beginning of 1924, the first Labour Government took office, and Churchill rapidly moved towards the Conservatives. In October there was another General Election, and he was returned as a "Constitutionalist". To everybody's astonishment, and not least his own, Churchill became Chancellor of the Exchequer in the new Government which resulted, and over which Baldwin again presided.

Within that Government he had his work cut out to preserve the essential fabric of Free Trade against great Protectionist pressures some of his colleagues: indeed, many Free Traders criticised him for serving in an administration of such complexion at all.

What was absolutely clear was that no faint chance existed of making any sort of useful fight for land taxing as well as Free Trade. Challenged in Parliament in December 1924, Churchill adroitly side-stepped the question: "I took occasion to inform my

● Cont. on next page

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constituents in the Epping Division during the recent election that I was not seeking a mandate from them for the taxation of land values during the present Parliament."

That Parliament lasted until 1929, and from time to time, land taxing enthusiasts in the Labour and Liberal parties sought to draw Churchill into either avowal or repudiation of his pre-war position on the subject — always without success.

Cast into opposition in 1929, Churchill soon found himself at loggerheads with his erstwhile Conservative colleagues on the future of India. Eventually, in 1931, the National Government was formed, and as the decade advanced the voice of Winston Churchill was raised increasingly on international rather than domestic causes. What appears to have been his last public observation on land taxing came some time after the Second World War. I have sought without success to discover the reference (perhaps a reader can help me there?) but there seems to have been a Parliamentary exchange with one of the leading Labour personalities who taunted Churchill with having once sung the "Land Song". The retort was to the effect, "... and I shall sing it again".

So what do we make of Churchill as a land taxer?

He was firmly convinced that land value taxation was desirable, although he probably never shared the most sanguine and enthusiastic forecasts as to the benefits which would supervene from its introduction. There is no reason to think that his opinion on the matter ever changed. Yet he was a politician who believed politics to be the "art of the practical". He was willing to fight in that cause as in others, where he judged that positive results could be produced by so doing; but he was not prepared to die in the last ditch for one cause when he had a chance of living and continuing to fight in defence of some other causes in which he also believed.

The world needs both the idealists who willingly suffer martyrdom, and the realists who fight only where they think they have a good chance of winning. Neither group has any right to sneer at the other.

REFERENCES

1. This quotation, like others in the article, is from *Land Values*, predecessor of *Land and Liberty*.
2. See list in *Liberal Magazine*, 1904, pp 161-2.
3. *Dundee Advertiser*, 28 July, 1917.

THE U.S. cotton industry has been turned topsy turvy by the government's payment-in-kind (PIK) programme.

Land has been withdrawn from production by farmers in return for payments-in-kind from government stocks.

Growers liked the idea of receiving cotton without having to work their land, so they rushed to join the programme.

By June, the Department of Agriculture found that it was running short by 700,000 bales of cotton to meet its PIK obligations.

So on June 17, a Plant-for-PIK pro-

gramme was announced. Farmers were promised inducements in return for cotton which the Dept. of Agriculture could pay to idle cotton growers.

● On June 20, market analysts confirmed that the reduction in cotton-producing acreage had helped to push up the price of cotton.

The one tax that can't be dodged

By RICHARD STOKES

THE LAST serious political attempt to introduce land value taxation in Britain was made by Richard Stokes, who was Minister of Works in the Labour Government in 1950.

After graduating from Cambridge, he entered the Army and distinguished himself during the first world war. He was awarded the Military Cross and the French Croix de Guerre.

In 1938, he was elected to Parliament for the constituency of Ipswich. Late in the 1940s, the Labour Government set up an inter-department committee on site value rating to examine the prospects of shifting the property tax off the value of buildings and on to land values.

Mr. Stokes served on that committee. He guessed that the rent value of land was £1,000 m — eight per cent of the national product, which was probably a severe under-estimate.

The data on which to make precise calculations, however, was not available. An attempt had been made to value all the sites of Britain when a

socialist Chancellor, Philip Snowden, introduced land value taxation in his 1931 budget. But the valuation programme was suspended in keeping with a pledge on behalf of the Conservatives by Stanley Baldwin in June that year:

"I can say one thing about it, that if we get back to power, that tax will never see daylight."

It didn't. Nevertheless, Mr. Stokes campaigned for the reform of the property tax in the post-war years. Before he could achieve success, however, he died from injuries received in a car crash in August 1957. He was aged 60.

Two years earlier, the Labour Party published a pamphlet in which Mr. Stokes explained why a tax on land values fell exclusively on landowners: it could not be passed on to others. Because landowners who oppose fiscal reform still seek to cloud this issue, we publish an extract from Mr. Stokes's six-penny pamphlet, *The Rating of Site Values*.

THE QUESTION whether a tax or rate on land values can be passed on to the tenant is a question of economic principle, and this will apply whether the tax be large or small.

Many people, as soon as they grasp the idea that taxes upon labour products shift to consumers, jump to the conclusion that similarly taxes upon land values would shift to users.

But this is a mistake and the explanation is simple.

Taxes on products are added to their price, for all competing products must pay the tax added to the price of the product; but taxes and rates on land values are not added to the price of land because competing unused land will keep the price of land down.

Sometimes this point is raised as a

question of shifting the tax in higher rent to the tenant, and at others as a question of shifting it to the consumers of goods in higher prices. The argument is the same.

Merchants on expensive sites cannot and do not charge higher prices for goods than their competitors do merely because they pay higher ground rents.

A country shopkeeper whose business site is worth but a few pounds, charges as much for sugar as does a city grocer whose site is worth thousands. Quality for quality and quantity for quantity goods tend to sell for about the same price everywhere.

Though land value has no effect upon the price of goods, it is easier to sell goods in some locations than in others. Therefore, though the price and the profit of each sale be the same