

Policy. "In 1929," says Mr. Coyle, "the Government had no institutions for stabilizing the economic system. Most of the leaders of finance and big business were confused (*sic*) by traditional notions of what the Government ought to do. Their principle illusion was that a balanced budget would so encourage investors that they would begin to build new factories and apartment houses, thus creating employment and launching a new wave of prosperity."

Before 1933 the U.S. was "saddled with a banker-controlled monetary system based on the gold standard." With the mounting depression, this system was only an obstacle to modernisation, which needed a flexible money machine by which the currency could be managed by the Government, with power "to inflate or deflate the circulating paper money and bank credit according to the public interest." (My italics.)

And thus we arrive on the broad open plains of the Country of the Blind — the "science"-blinded victims of Keynesism. There were too many factories and too little market for their produce. "What was needed was an expansive government policy. The Government needed to increase the quantity of money in circulation and the new money needed to be distributed to the unemployed and the other poor . . . who would buy the goods" etc. And so the U.S. got its built-in stabilizers "which automatically come into action both to cushion economic decline and to restrain over-expansion. The built-in stabilizers work when business is poor to cause a Government deficit and distribute money to the general public, to prevent a dangerous collapse of the consumer markets."

And the built-in stabilizers? These tools of modernisation? Well, there is Social Security — it helps "to sustain the buying power of the unemployed" — and "various forms of insurance, such as the Federal Deposit Insurance Corporation, to prevent the disappearance of people's savings in hard times." And "\$47,000 million of federal savings bonds held by working people which they can turn into money if need be at the expense of the U.S. Treasury."

"Finally, the principle is well established, even though still denied by traditional extremists, that the cure for poor business is first of all an intentional increase of buying power produced either by cutting taxes or increasing government expenditure, or both." (My italics.) Mr. Kennedy is at the moment aiming to do just that.

The Roosevelt Years are the years in which the U.S. was dragged out of the abyss of its own digging by a visionary who was enabled, through the prostration of the nation, to lay the foundations of an edifice, the architects of which were Beveridge and Keynes. They in turn derived their ideas from Fabian Socialism, the London School of Economics and the *mélange* of European mixed-up pseudo-economics which produced, among other things, Hitler, Mussolini, the second world war and the cold war.

To describe this process as "modernisation" is surely just about the last word in double-think.

L'Impôt Unique

L'IMPOT SUR LA VALEUR DU SOL: OBJECTIONS ET REPONSES is the title of a new publication written by M. Max Toubeau, secretary-general of la Ligue Française pour la réforme foncière, fiscale et le libre échange.

By FRANK DUPUIS

IN THIS attractively produced booklet of forty pages, the commonly-met objections to land-value taxation are tabulated under ten headings, and answered briefly but effectively.

After a short introduction explaining that a land-value tax is not a mere land tax, and that the object is to replace not add to existing taxes, M. Toubeau examines the common view that justice has no relation to taxes, which are inevitably unpopular, and that the only fiscal problem is to obtain revenue as unobtrusively as possible, so as to disarm resistance. He shows how in practice such subterfuge always fails to allay the sense of injustice, and leads ultimately to dangerous social consequences.

Land or property taxes as at present imposed are justly resented because they penalise the owner for his industry and improvements. A just system must distinguish between the value of the improvements on any particular site and its "social value" or economic rent, which exists independently of any contribution made by the owner. Land is the indispensable requirement of humanity, its extent is limited, and monopoly of this essential element reduces society in general to dependence upon the owners.

The anomaly of present arrangements becomes obvious in the spectacle of valuable land held out of use for speculative purposes. The needs of society in general inevitably increase the value of such sites, enabling the owners to pocket vast sums without making any contribution to production. By collecting these sums for public purposes justice would be done, monopoly abolished, and the improvements made by estate owners could be relieved of the penalties at present imposed. Recognition of the justice of this policy can be traced in the records of earlier, simpler societies, notably in the *grundskyld* of the Vikings.

To meet the objection that a national land tax had long been in force in France but produced such an insignificant return that it was repealed in 1948, M. Toubeau examines the history of this tax in relation to the full economic rent of land. In 1790, under the influence of the Physiocrats, an attempt was made to value land alone, but this was never completed, and subsequent fiscal history has seen a decay both in the methods and administration of land-value taxation, and a transition from direct to indirect taxation. All that now remain are a few trivial and arbitrary land dues for local purposes. Estates are sometimes valued for fiscal purposes, but no machinery exists for establishing the true value of land. Neverthe-

less, by reference to some current values of various types of site and the total area of different categories of land in France, M. Toubeau adduces a sufficient basis for demonstrating the immense contribution that a genuine land-value tax might yield to the national revenue.

To the objection that any tax, good or bad, will always be resisted by the interests affected, and taxes on commodities, as least evident, are therefore the most practicable, M. Toubeau answers that no real reform can ever be expected to escape opposition from those who profit from the abuse, but in the long run a just tax, which necessarily conflicts with fewest interests, should meet with least resistance and help to remove the cause of other social conflicts.

Under land-value taxation the overwhelming majority of interests, everyone engaged in productive labour of every form, and everyone to whom the cost of living is of consequence, would gain, and the intractable difficulties and conflicts set up by the effects of bad taxation would disappear. The ever-rising cost of living and producing, and the ever-increasing artificial shortage of land, are the two great, immediate difficulties that tend to strangle the national effort. It is precisely these two problems that land-value taxation is calculated to remove. As it is imposed irrespective of development on the particular site, land speculation would be pointless. Every estate owner would be obliged to put his land to its most profitable use, and he would no longer be penalised for his efforts. All industry would be stimulated and facilitated, while society would enjoy a source of revenue which grows automatically with material progress, and no revenue would be lost either by the fraudulent returns or great expenses involved in collecting revenue by present methods.

To the objection that the tax would fall entirely upon land owners, and that others, even with large incomes, would escape, M. Toubeau points out that everyone without exception occupies land and uses natural resources directly or indirectly, and no system can change this essential condition. Under land-value taxation tenants would still be obliged to pay rent to the owners of the land, but every land owner, having to put his land to its best use in order to be able to pay the tax on it, would be equally obliged to find tenants. From this automatic equilibrium fiscal justice would ensue, and every tenant and every estate owner would be relieved of the penalties now falling upon development and productive industry.

To the query why a reform for which so much is claimed has not already been recognised, M. Toubeau quotes in France alone the proposals of the great engineer Vauban, the physiocrat Quesnay, the illustrious statesman Turgot, and the same reform, under the title of Metric Tax, put forward by A. M. Toubeau in 1880 before the works of Henry George were known in France. This Metric Tax was acclaimed by the celebrated Russian reformer Prince Kropotkin. In addition M. Toubeau cites the works of Henry George, endorsed by Leo Tolstoy and by eminent French economists such as Charles Gide.

He gives a brief description of the successful application of this method of taxation in Denmark, Australia, New Zealand, and parts of California and Pennsylvania. He emphasises that, although in none of these examples anything approaching the full land value is collected, experience shows that the reform is easy to apply, that it can be applied progressively without disrupting other social arrangements, and that where local communities have the opportunity of witnessing the benefits, they demand its extension.

M. Toubeau concludes this convincing pamphlet by an analysis of the gross returns of present taxation in France. He suggests how, in addition to the stimulus of even a small land-value tax, the proceeds might most effectively be applied to reducing the present burden of taxation.

Voters Demand Site-value Rating — And Get It

IN MARCH 1963 a poll to change the system of rating to the unimproved value of land was taken in the County of Manukau, reports George M. Fowlds in *The Standard*, Sydney, N.S.W. Manukau, is a large semi-rural district about eight to twenty miles south of Auckland, New Zealand, and is the second largest county in the country. Votes in favour of the change were 4,292 and against, 1,719 — a majority of 2,573.

Due to the tremendous growth of Auckland, which has now over 500,000 people, there is considerable subdivision of farms taking place in parts of the county. Hitherto the local land owners have bought and sold land at so much an acre, but now they are readily selling it at so much a foot frontage. When an active group quickly secured signatures of the necessary 15 per cent of the ratepayers to a petition demanding a poll, the local farmers took fright at the prospect of having to pay higher rates.

Through the local branch of the Federated Farmers organisation they consulted a solicitor about getting an injunction to prevent a poll, something which had been threatened before but never proceeded with. But they wisely accepted advice that such action would be very improper, and nothing more was done. Despite the fact that there is still a system of plural voting of from one to three votes according to the value of the property, the change was overwhelmingly carried.

In the Dominion, 1,789,000 people live in 239 local districts which exempt improvements. 373,000 people reside in one hundred districts which rate on the capital value, and 251,000 people live in fourteen cities and boroughs which rate on the annual or rental value.

Altogether a total of £28,000,000 is collected annually by way of rates on the unimproved value of land, in addition to £1,500,000 taken by the State through the national land tax.