

Surtax vs. Land Values

From *The Irish Weekly*, 21st January, 1928

OPEN LETTER TO MR. ARTHUR HENDERSON, M.P.

THE following is a copy of a letter posted to Mr. Arthur Henderson, M.P., last Monday in Glasgow, by a well known exponent of the Taxation of Land Values. The letter is as follows:

Glasgow, 16th January, 1928

Dear Sir,—In the *Evening News*, Glasgow, of last Friday, you are reported to have stated at Burnley that “the Labor Party was unanimous on the principle of the new surtax and that it is now a firm part of Labor’s financial policy.” In view of the many declarations you and other Labor leaders have made on Taxation of Land Values many people are wondering

why the Labor Party is concentrating on slicing lumps off big incomes instead of on the policy of preventing them being obtained, by changing the economic tendency of wages going to subsistence level through Budget Taxation of Land Values.

Mr. Ramsay Macdonald has stated:

“Rent is a toll, not a payment for service. By it social values are transferred from social pools into private pockets and it becomes the means of vast economic exploitation.”

You personally have made some notable and heartening pronouncements in favor of Land Value Taxation, pointing out—“It seeks to open the way to the natural resources from which all wealth springs.”

A surtax on incomes will not force idle or partially-used land into use. Diverting incomes which are being spent, into the National Exchequer will not create thousands of new jobs in almost every county in Great Britain, but this is what a drastic Land Value Taxation Budget would accomplish.

It seems to me a mystery why the Party should concentrate on a miserable shibboleth like the Surtax, with its questionable capacity as a revenue-raising device, whilst in thoughtful circles there *is no question about the capacity of a Land Value Tax to raise millions and enable a Labor Government to abolish all food taxes.* Surely it is more important for Labor to give a pre-eminent place to the taxation of Land Values, which compelling all the valuable natural resources of the country to be developed, would solve the present curse of life in Great Britain—unemployment—cheapen the price of land, burst monopoly prices for sites, and stimulate industry.

In your Burnley speech you state a Labor Government would “seek to readjust the burden of taxation more closely in accordance with ability to pay.” I commend to your notice the views enclosed of your colleague, Colonel Wedgewood, on “the ability to pay doctrine.” If Labor assumes office and attempts in its first Budget to tax Land Values and also a surtax on income, no L. V. disciple would be seriously alarmed, but the prominence being given to

Surtax raises the suspicion that Labor is going to shelve Land Value Taxation in its first Budget and that *we are going to be sold again as we were in Lloyd George’s alleged famous Budget and in the last Labor Government’s Budget*, though a year previously Mr. Snowden declared in the House, in reference to the “economic value of land:” *Let there be no mistake about it: When the Labor Government does sit upon those benches it will not deserve a second term of office unless in the most determined manner it tries to secure social wealth for social purposes.”* (Page 194. “Land Value Policy,” by J. Dundas White, LL. D.)

Now, may I point out that the Labor Party, in its first Budget, in the “most determined manner avoided the Taxation of Land Values.” If the Party will persist in putting forward proposals like Surtax that are so easily punctured, and fails to put in force the *tax that cannot be shifted* to the supreme position in its policy and programme, it need not wonder if the Labor vote makes little increase in the constituencies, when the Whigs can side-track the tax that would open up a new era in social and labor conditions, compelling owners of land to do what they never had to do before—search for land users.

I am, faithfully,

J. O’D. DERRICK.

P.S.—I am sending a copy of this letter to the Press.
Mr. Arthur Henderson, M.P., House of Commons, London.

VIEWS OF COLONEL WEDGEWOOD, M.P.

The following is the newspaper cutting posted Mr. Arthur Henderson, M.P., referred to in preceding letter:—

In popular thought the idea is current that the basis of taxation ought to be “ability to pay,” which, in essence means the more industrious you are all the more taxes you have to pay, and that the lazy will be lightly taxed. Colonel J. C. Wedgewood, M.P., in “Essays and Adventures of a Labor Leader,” page 179, writes:

“If one class benefit it is only right that that same class alone should pay. Harold Cox used to call it ‘taxing red-headed men,’ to point out its absurdity. If the red-headed men take and divide plunder I can see no wrong in asking them to find cash. But the question puzzles others than those wilfully blind. We have got so bred into us the idea that taxation should be according to ability to pay, that we cannot realize the justice of any other system—we cannot realize that taxation might in reality be payment for services rendered. The taxation of land values cannot be squared with taxation according to ability to pay. We have discovered the futility of that cliché. We know now that the persons who actually pay according to their ability *have in reality the best facilities for passing their tax on to the consumer*—that their payment is camouflage. On such a basis you hit the poor, not the rich who can afford to pay. The basis of ‘ability to pay’ is ineffective; it is also, even in its origin and still more in its result, unjust. Far better and far juster is our basis—that taxes

should be according to benefits received. Land values rise, therefore let land values pay. I cook with gas, therefore let the gas appear on my gas bill."

From *The Irish Weekly*, February 4th, 1928

LETTER FROM MR. ARTHUR HENDERSON, M.P.

THE *Irish Weekly* of January 21st contained an "Open Letter" to Mr. Arthur Henderson, M.P., secretary of the Labor Party. Five days before publication in these columns, the letter was posted to Mr. Henderson, with the *specific intimation* it was being sent to the Press.

Below will be found correspondence on the subject.

33 Eccleston Square

London, S.W.1.,

January 24th, 1928.

Mr. J. O'D. Derrick,
Glasgow,

Dear Sir,—I beg to acknowledge receipt of your letter of the 16th inst., which has been awaiting my return from the North. I note you have sent a copy of your communication to the Press, and from this action it is obvious that you are more anxious to raise a public controversy than to receive explanations on points of difficulty or misunderstanding which may present themselves to you. There could be no stronger evidence of your desire to get into public disputation than your statement that "the Labor Party in its first Budget, in the most determined manner avoided the Taxation of Land Values."

In these circumstances, I have neither the time nor the disposition to assist you to carry on your Press campaign.—Yours faithfully,

ARTHUR HENDERSON.

THE REPLY TO MR. HENDERSON

January 27th, 1928.

Mr. Arthur Henderson, M.P.

Dear Sir,—It is 34 years since the late Mr. Michael Davitt, in *The Daily Chronicle* pointed out:—

"No intelligent workingman can give a moment's rational study to the labor problem of these countries without discovering where the root of evil in our industrial system lies. It is in the rent charges levied upon the use of these natural agencies which are the very life of our social and industrial organisms, where low wages, depression and strikes really originate. *The outcry against capital on the part of advanced Labor advocates tends to disguise an older and more formidable enemy of Labor, and landlords not a few are astute enough to send this clamant Labor on this seductive scent in order to divert attention from a system which is in reality the parent of Capitalism and all its works and pomps.*"

No one knows better the fundamental truths enshrined in those words of Michael Davitt than you do, yet the Labor Party of which you are secretary, proposes to make

a General Election stunt of the surtax, instead of raising the question of the bottom monopoly on which all other monopolies rest.

With that preface, I point out your letter of January 24th, completely evades explaining the mystery of the tendency of the Labor leaders and Party to concentrate on that miserable Whiggish taxation device—Surtax—instead of on land values, which would have the economic effect of forcing valuable land into use and thus occasion thousands of new jobs for jobless men.

It is a new orientation and remarkable, to find a Labor leader objecting to "public controversy" on the "Surtax vs. Land Value Taxation," which, of course, would demonstrate the wisdom of burying the Surtax with the Capital Levy, and making the supreme issue in the public life of Great Britain, of Land Value Taxation, as a revenue-producing proposal and as a factor in forcing all the natural resources into use.

Henry George disciples, untrammelled by search for public honors, by party interests and policy, fear no public or other controversy. The mystery of the failure to tax land values in the first Budget of the Labor Government is now accompanied by another mystery, the policy of proposing to slice lumps off big incomes, instead of concentrating on the taxation scheme which would tend to prevent them being obtained.

The Surtax is the public proposition of the Labor party, and in the most determined manner you avoid the issue raised in my former letter, an indication that there is no logical case for any really advanced Laborist wasting time on the ill-conceived fantastic Surtax device, whilst the public created fund of economic rent can be tapped to burst monopoly, cheapen land prices and solve unemployment.

A party, with the Surtax philosophy that its adherents cannot defend as against Taxation of Land Values, is evidently in a muddled mental state.

In view of your own many declarations in favor of economic rent taxation, it is satisfactory to find you do not seek to defend Surtax or suggest that it should be given a pre-eminent place in Labor propaganda.

Your letter is a sample of how to avoid great fundamental issues and its character is peculiar, coming from the secretary of a propaganda organization. If Mr. Baldwin and his colleagues accept that letter as a sample to copy, public controversy will be barren, with courteous, reasoned argument on one side and evasion and subterfuge on the other.

The function of men who know the Truth is to stand up for it and propagate it, irrespective of the convenience or stunt proposals of any party, and to keep raising public controversies until the people are aroused. Side-track tinker-patch legislative proposals, and concentrate on root causes, and demand that the Budget taxation expedient be adopted by the next Government in its *first Budget*,

and so ensure all of God's natural resources in the land of Britain being put to their fullest use.

Trusting the next Labor Government lifted to office by the people, will not go on false scents, and make the mistake of placing no tax on Land Values—a tax that *cannot be shifted*.—Yours faithfully,

J. O'D. DERRICK.

A Proposed Amendment in Colorado

PETITIONS are being circulated in Colorado for two amendments to the State Constitution; one for Old Age Pensions and the other for Single Tax. The Single Tax Amendment reads:

"All taxes shall be uniform upon the same class of subjects within the territorial limits of the authority levying tax, and shall be levied and collected each year under general laws, which shall prescribe such regulations as shall secure a just valuation for taxation of all taxable property; Provided, That for the year beginning January 1st, 1929, the tax rate on personal property and improvements on land shall not exceed 90 per cent. of the rate levied on the value of land; and the tax rate thereafter levied on personal property and improvements on land shall be reduced 10 per cent. each year until all taxes on personal property and improvements on land are completely abolished; and be it further provided that on and after January 1st, 1929, the personal property of every person, to the value of four hundred dollars, shall be exempt from taxation.

All provisions of the Constitution of the State of Colorado in conflict herewith are hereby repealed."

The Pension Amendment provides that revenue for such pensions not to exceed \$30. a month shall be derived from a special tax on the value of land. This pension includes all over 65 who are residents of the state, save persons convicted of crime and inmates of public institutions.

The sponsors named in the petitions are Barney Haughey, Frank H. Rice and Clyde Robinson. They have opened headquarters at 1605 Larimer Street, Denver.

If 25,000 signatures are secured the bills will go on the ballot in the state elections on November 6.

ISAURO GABALDON, Filipino Commissioner, addressed through the *Congressional Record* the American Congress as follows: They are thrilling words:

"What frightens me as a Filipino is the knowledge that those American 'captains of industry' who have millions invested in the Philippines are also heavy contributors to the campaign chest of the Republican Party. In the name of God, members of the American Congress, I beseech you to give us our independence before the Philippines, like the Teapot Dome and the naval oil lands, are donated to campaign contributors whose mouths are watering for our golden natural resources."

Taxing Speculative Properties

TEANECK Township's governing body has addressed a letter to the local assessors, directing them to consider fairer valuations of vacant lots, acreage and business property, with a view to relieving home owners of an unfair share of taxes.

This proposal is equitable and it is time that other municipalities in the county took up the same subject. Much land in Teaneck is held, either in plots or in acreage, for speculative purposes, from which very little revenue is derived for the support of a growing city.

We think that the commissioners have not correctly stated the rule of law which should govern in such cases. They have suggested that the asking price be made the basis. Justice Charles C. Black, in his New Jersey Law of Taxation, discussing the various judicial decisions on this subject finds that true value, at which property must be taxed is:

"That amount of money which a given piece of property would yield, in the hands of one willing to sell, but not required to sell, to one willing and able to buy, but not required to buy." This may or may not be the asking price.

However, in the case of vacant land in a community like Teaneck, where there are many conveyances, it is easy to establish values by comparison. Recently the Board of Freeholders was offered \$217,000 for the twenty-nine and a fraction acres known as the "Poor Farm." Other properties, large and small, are held for speculation by individuals.

All or most of them, like the "Poor Farm," have been valued for taxation at a ridiculous percentage of their worth.

Teaneck is quite right in driving these lands into the market and compelling owners to build houses on them so that the ratables may be increased and the taxes on existing homes decreased.

Bergen County (N. J.) *Journal*.

"THUS far the land speculators have reaped the chief benefits of subway building without having directly contributed a penny. Is it not about time for this injustice to end? Why should the car riders bear the entire burden of enriching the landowners and speculator and adding to the city's taxable values? It is not only the property along the line of the subway that is benefited. It benefits all property. What would the big office buildings and factories in the heart of the city amount to without easy access of the workers to and from them by subways? And how and where would the city otherwise house its workers?"

—SAMUEL UNTERMEYER.

"If you would have the slave show the virtues of the freeman, you must first make him free."—HENRY GEORGE.