

DEATH DUTIES ON LAND

[By Arthur R. McDougal, Blythe, Lauder, in the "Farming News and North British Agriculturist," 26th November.]

1. The burden of death duties is grossly exaggerated as regards ordinary farms, amounts to only 4 per cent. on £10,000 and 5 per cent. on £15,000. That is, death duties of £400 are leviable on a farm worth £10,000. On big estates the rates are heavier, but even so it would take five deaths to reduce a £100,000 estate to £50,000.

2. Death duties are a capital or inheritance tax and payable by all who leave capital, and any arguments in favour of remission to landowners can more justly be used in favour of remission to all others. In fact, an agricultural estate can pay these with much less difficulty than any other property except stocks and shares. It is simple to sell enough farms to pay the duties, and such sales are often the only means whereby others can get a chance to buy land.

3. Death duties were imposed and are continued because they break up big estates and fortunes so that the social structure may not become top heavy. The mere ownership of huge estates by men or families who in many cases have neglected them for generations, is bad, and death duties tend to break up that evil. Has the present or last generation of landlords proved itself so deserving because of good management and care for agriculture, that they should be exempted specially from death duties that all others must pay? The answer is definitely "No."

4. Supposing death duties on land were abolished, would it benefit agriculture? The answer is certainly not. The first thing that would happen is that the price of land would rise by from one year's purchase of the gross rent on small farms to double present prices of large estates. Money seeking a funkhole from death duties would pour into land, doing no good, but doing harm by inflating values, and any genuine farmer buying his farm would have to pay the equivalent of the remitted death duty when he bought it. This would be worse than paying it 40 years after when he died.

5. The plea is always made that remission would enable landlords to improve and maintain their estates. The answer is that experience shows that this is not so, and that these reliefs are treated merely as personal gifts and are mostly spent on anything else but farm equipment and maintenance. For example, the derating relief, now absolutely absorbed by the landlords, amounting to £1,000,000 per annum in Scotland, was sufficient to have rehoused every farm worker in a perfect house. This was not done, and it is doubtful if 90 per cent. of that £1,000,000 a year has been anything but a wasted gift to the bondholders and the negligent and bad landlords.

6. A plea is also made that the State should take over land in lieu of death

duties. This is quite wrong. It would merely end in the State being offered all the worst farms at high prices. It would be nationalization and would prevent any tenant farmer getting the chance to buy his farm at a reasonable price. With the State in the background as a compulsory buyer land inflation would be inevitable. Dear land is the farmer's worst enemy. If the landlord is to pay his taxes in land why should not the farmer pay in potatoes, turnips or sheep, or the manufacturer in clothes or soap. This continual asking for special and undeserved favours is not creditable to those mendicants who do so.

7. Finally, one asks why should the sleeping partner, and often the absentee partner, indifferent and even hostile to farming, get special relief, when the occupier or tenant, who is the backbone of the industry, is to get none.

There is no moral case for the remission of death duties to anyone, and much harm will ensue if remissions are given to favoured or politically powerful classes.

In a long supporting letter, published 3rd December, Dr. Gavin B. Henderson, Glasgow, wrote: "The continuous agitation for a remission of death duties on land is altogether unjustified by the facts. Perhaps the precedent (and a very bad precedent) of "de-rating" encourages the landed interest, whether landlord or tenant, to more and more impudent demands—in the belief that something may be gained and nothing will be lost by such sectional demands, however unjustified."

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THE DEATH is reported in the United States on 30th September, at the age of 79, of Dr. Franz Oppenheimer, formerly professor of Sociology in the University of Frankfurt. His radical opinions and race were both distasteful to the present rulers of Germany and he was obliged to become a refugee.

He was the author of numerous works on social questions, including a large treatise on sociology in eight volumes, a critique of Marxian political economy, and a work on land monopoly (*Grossgrundeigentum*). To English readers he will be best known by *The State* (*Der Staat*), published in German in 1907. In this volume, which may be regarded as an epitome of his teaching, he traces the evolution of the state from its beginnings to the present time. The leading idea is that the state arose out of conquest by nomadic and warlike peoples of peaceful and settled agricultural communities. Its distinctive character is that it afforded a political, as distinguished from an economic, means of acquiring wealth. This feature is traced in the evolution of the state through feudalism to the constitutional state of the present day. If Professor Oppenheimer had revised his book, he would no doubt have pointed to the totalitarian regimes as the naked emergence of this underlying characteristic—the use of force and power in order to obtain wealth

and privilege for the governing group without the necessity of working. The development of the modern state from its feudal predecessor was the means of preserving and consolidating under the form of law the powers and privileges of the owners of great estates. Professor Oppenheimer looked forward to a further development of the state into a free democracy based upon equality of economic status and equal opportunity through the break up of land monopoly. The state would then cease to be a conquest state, and wealth would no longer be acquired by political means but only by economic means—the rendering of service for service.

It will be seen that these ideas are in part similar to those of Henry George, to whose genius Professor Oppenheimer always rendered high tribute. Nevertheless, there were differences of outlook. Although he was an acute and informed critic of the Marxian social and economic theories, it is not unfair to say that Professor Oppenheimer's views were in part influenced by that philosophy. In particular he failed fully to appreciate the distinctive feature of Henry George's elucidation of how economic progress engenders land speculation and so produces the effects of monopoly without conscious co-operation to that end between the owners of land. Professor Oppenheimer's emphasis was rather upon the mere aggregation of great estates into the hands of single individuals than upon the growth of land value and the inequality so caused in the distribution of wealth. He was thus led to the idea that the power of land monopoly lay in the holding of marginal land out of use and to the conception that an effective and inexpensive remedy could be found in the acquisition of such land by the state and the throwing open of it to use, which process he designated as "inner colonisation." A mature consideration of the Ricardian theory of economic rent as developed by Henry George will show that the remedy is not so to be found. The superior advantages of land above the margin, and particularly the high land values of the cities and other specially favoured areas, would still remain. The maldistribution of wealth would still persist so long as the private appropriation of the rent of land remained, and so long as it was protected by a system of taxation which burdened the producers of wealth and favoured the appropriators of it. It is in this that the fundamental feature of the conquest state still remains as the basis of the constitutional state, and it is in the removal of it that the state can be transformed into an economic state of free and equal citizens.

Although we thus disagreed in theory and practice with Professor Oppenheimer, we must pay a sincere tribute to him for the work which he did in emphasising the importance of the land question, and for the earnestness and geniality with which he supported his point of view, with no trace of bitterness for the circumstances which made him an exile from his country.