

## LAND & LIBERTY

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## AGRICULTURE AND LAND VALUE POLICY

Mr. Mackenzie Livingstone asked the Chancellor of the Exchequer an important question in the House of Commons on 10th March in regard to the income tax levied on the occupiers of land and got only scanty information. The question was, what is the extent and the assessed annual value of all land defined as "not used for husbandry," the occupiers of which enjoy the concession that they pay only one-third the income tax paid by those who do use land for husbandry? It was also asked, what is the extent and annual value of "land not used for husbandry" that is occupied by the owners? The Chancellor could not give particulars? The information "is not available." No one apparently is able to say what amount of land suitable for agriculture is favoured by reduced taxation, just because it is not used for agriculture. The people are left in the dark, as is too often the case with these privileges, reliefs and subsidies that are granted for some spurious reason but find their way inevitably into the hands of the mere rent receiver and land monopolist.

The matter in question is the assessment of income under Schedule B, commonly known as the "farmers' income tax." But it is not merely a farmers' income tax. It is a tax levied on that part of a taxpayer's income which is derived from the occupation of land, whether the occupier is tenant or owner, and the profit from occupation is assumed to bear a relation to the annual value of the land. Before the war this profit was taken to be equal to one-third the annual value of the land—that is, in the case of a tenant, one-third the rent paid to the landlord. During the war the supposed profit was made equal to the annual value, and in 1918 the Income Tax Act increased the supposed profit to twice the annual value. But with a significant exception. *Where the land was not occupied for the purpose of husbandry or mainly for that purpose*, the profit of the occupier was made equal to the annual value, instead of twice the annual value where the land was used for husbandry.

It was a mischievous distinction, the act of the Coalition Government just at the moment when all the talk was about "reconstruction" and the need for measures to promote the best use of land. It put a premium on the retention of land for pleasure or sport and gave special protection to the private ownership of parks and preserves and the "amenity" land of great estates. The Coalition Government took a further step in the same direction in the

Finance Act, 1922, when the income tax was reduced. The basis of the occupier's tax where land was used for husbandry was brought down to the annual value; but where the land was not so used, the basis became one-third the annual value.

These obstacles then have to be overcome before land that is held for sport or pleasure can bear crops or add in other ways to the wealth of the nation. First, the assessed annual value is increased because the land is being put to better use and the Schedule A income tax is increased correspondingly. Secondly, the occupier's tax (Schedule B), levied, on the higher assessment, is multiplied three times. Thirdly, a heavy burden of local taxation falls on the houses and other buildings essential to cultivation. And in addition to these obstacles, there is the greatest barrier of all—the monopoly price of the land itself, bolstered as it is by these insane tax laws.

The above-mentioned provision in the Finance Act, 1922, was not allowed to pass without a vigorous protest. The debate took place on 20th June, 1922, during an all-night sitting and ended with a demonstration and the singing of the "Land Song." Col. Wedgwood moved to abolish the difference in the assessment of income tax according as land was used or was not used for husbandry. He said:—

I should be very interested to see what arguments are brought forward in favour of giving specially advantageous treatment to the owners who keep their land for "amenity" purposes instead of productive purposes. The natural tendency would be to give a bonus to landowners who used their land productively, but apparently the Government think the owners ought to be selected from all the rest for special benefits, while those who use their land unproductively are to be given a preference of one-third of the rental value while the others have to pay on the whole of the rental value. That certainly wants some explanation in times of unemployment like the present. Here you are deliberately keeping labour off the land. You are giving a special advantage not only to farmers but to people who might farm their land but do not.

Mr. P. Wilson Raffan drove home the point in the same debate:—

The great landlord interest does not appeal to the Chancellor of the Exchequer (Sir Robert Horne) in vain. He is able to find for them an annual remission of £300,000. The Minister of Agriculture, whose task it was to settle upon the land the returned soldiers, has practically abandoned his task. Every smallholding colony scheme has now reached its full development, and the right hon. Gentleman cannot find another penny for such schemes, but £300,000 can be remitted to the landlord interest. You are not merely differentiating between one class and another, but you are discouraging the best use of the land of the country. If you are dealing with the smallholder, whose improvement value is high compared with the land value in his holding, at any rate, if he does not pay income tax, local taxation comes down on him with crushing force. Where the land is being used purely for sport, the holder pays income tax upon one-third of the rental value, while, if it is used to the best advantage it pays taxation at three times that rate. It is quite impossible for prosperity to return to agriculture in this country so long as that policy is pursued.

The policy is still being pursued. The landlord party is now in the ascendant and it means to take every advantage of its opportunity. During the last Conservative regime, in 1923, pleading again the case for "agriculture in distress," the landlords and their dupes in the National Farmers' Union succeeded in getting the local rates on agricultural land reduced to one-quarter of the rates paid on all other properties—"a policy," as Mr. Lloyd George said in 1896, "that is not for agriculture but for the landlords and for this reason: it was known for a fact that if the relief was not extended to the land, rents would inevitably go down . . . the land-owners were now seeking to bleed the taxpayers who were to be driven into the landlords' leech pond."

The reduction in agricultural rates has to be made good by subventions to the local authorities out of the National Exchequer and last year 4½ million pounds of taxpayers' money were paid out in that way. From 1896 to 1923 the relief was one-half the local taxes levied as poor rates. Since 1923 the relief has been three-quarters of all rates. The next step in this "policy for the landlords" is the entire exemption of agricultural land from local taxation and the payment of the whole amount to the local authorities out of funds provided by Parliament. Resolutions to that effect are now a commonplace at meetings of the Central Landowners' Association and of the misnamed National Farmers' Union, where the landlord or his agent is present in person or spirit to make sure that the sentiment is passed on to a complaisant Government. These partizans are outspoken in the belief that they will get what they want from the promised Valuation and Rating Bill, to be introduced soon, one provision of which is declared to be a permanent settlement of the rating of agricultural land, so that the Agricultural Rates Acts will not require to be renewed from year to year. The "permanent settlement" desired by the landlord interest is the total exemption of agricultural land from rates.

The agitation is the more dishonest because there is no intention to relieve or exempt farmhouses or buildings from rates. That is not the policy of the Agricultural Rates Acts, which give relief only to the uncovered land belonging to a farm or used for agricultural purposes. The sponsors of this relief are audacious enough to speak in the name of agriculture and insist that farmhouses and farm buildings should continue to be taxed at the full rate. They know well enough that the effect of exempting the agricultural land will be to raise the rent the landowner can obtain for the land. That is the prospect they hold out for the working farmer. They are supported by quite sufficient authority, including in recent days Sir Trustram Eve, Sir George Fordham and Mr. F. D. Acland, the leading spirit of Mr. Lloyd George's Rural Policy Committee which is now sending out its missionaries to popularize the Cultivating Ownership Land Policy that was fathered by the Liberal Party at the last General Election and met with well deserved contempt and ridicule. It was Mr. Acland who said, in the debate on the Agricultural Rates Bill, House of Commons, 11th July, 1923: "I never disguised the fact that I was going to support this Bill, partly because

I was a landowner. I think a great deal of the benefit will go immediately to the tenant and ultimately will pass to the landlord."

The enrichment of the landowner at the expense of the tenant and at public expense is bad enough, but that is not the whole objection to the policy of relieving land from taxation. Any change that tends to raise rents acts as an inducement to hold land out of use for the highest price that can be exacted from the would-be user. In this manner conditions are made harsher for the cultivator and countless opportunities for a livelihood are closed against the people. The monopolist holds undisputed sway. Production is stopped at its source and when the primary industry of agriculture is not allowed to flourish it is hopeless to look for prosperity in any other industry.

Those who stand for this state of things maintain that land should be free from taxation because it is the "farmers' raw material." That is one argument. The other argument is to fly to the opposite extreme and contend that the agricultural land of this country is a "manufactured article" because its value is entirely due to improvements effected "over hundreds of years." The jargon of the fiscal controversy is made to do service whichever way the problem is considered. The one idea is not concerned with the rent or the price the farmer has to pay for his "raw material," but would force that rent or price to the highest level in the interest of the landowner. The other idea denies the fact that any value at all attaches to agricultural land apart from improvements.

Are we to understand that the prices paid for cottage sites in the country districts, an average of more than £170 per acre, is all improvement value, "due to centuries of cropping and manuring?" Is it suggested that the price included no land value worth speaking about?

Mr. Adamson, when Secretary for Scotland, told the House of Commons on 27th May, 1924, that no part of the large quantity of land recently reported by the Committee on Deer Forests as suitable for small holdings had been made available because it costs too much money. Was he wrong? Should he have said that the improvements on the land were too costly to buy?

Lord Clinton, giving evidence on 7th May, 1924, before the Committee on National Debt, complained of the exceptional severity of the death duties on agricultural land owing to its having a market value far in excess of its income producing value. Was he talking about land value or improvement value?

Grass parks were let in Ayrshire last year at rents 31 per cent higher than those of the previous year. Was that because the owner had put more capital into the land?

For the 216,873 acres acquired for small holdings the Government had to pay £9,635,076. None of that a price for the land alone, if we are to believe the fable that the landowner has produced a manufactured article.

In the House of Commons on 5th January, 1923, Sir Richard Winfrey said that after the Land Settlement Act was passed the county councils were forced by the Ministry of Agriculture to go into the open market and buy land at its highest war price. In his own constituency they bought

land for £70 and £80 an acre that in pre-war days was selling for £40 an acre. Is it contended that the difference is the result of improvements made by the landowner?

The *ECONOMIST* of 27th January, 1923, in a review of land sales during 1922 mentioned that £500 per acre had been obtained for market garden land in Harefield, Middlesex, and £125 per acre for land in Coulsdon, Surrey. Messrs. Knight, Frank & Rutley, the estate agents, in their report published in 1923, referred to an agricultural estate of some 5,500 acres in a southern county, the owner of which was in receipt of an income of barely £2,000 a year from it. The property realized a total of £193,000.

These are only some of the many instances that could be quoted to show what agriculture—like every industry—has to contend with under the domination of landlordism. Everything that may be said about the relation of land prices and taxation to the conditions of town life can be repeated word for word in respect of conditions on the countryside. The causes of low wages, bad housing, hard times and general stagnation are the same, and the remedy applies with equal force to every trade and occupation. Production is burdened with taxation while the land value that ought to be the source of public revenue, ought to be paid by the landholder to the community for engrossing a piece of land to which others have an equal right with him, is drained away into private pockets.

The same grievance against the penalty of rates and taxes is voiced by the working cultivator as by the enterprising citizen in urban areas. A typical example was given by a correspondent of the *SCOTTISH FARMER* of 27th September last: "Since buying my farm I have grown fruit successfully on a part of it and now the assessor says I have improved my farm greatly and he raises my valuation by 18 per cent. Have I any redress?"

Lord Bledisloe put the matter more generally and more emphatically in a letter to *THE TIMES* of October 20th, 1923:—

"The mode of taxing real property is a serious deterrent to agricultural enterprise. There are, for instance, thousands of acres of seriously neglected grassland in the West of England and in Wales which by the application of phosphatic fertilizers might be made to yield at least three times the amount of meat or of milk that they are now yielding; but the farmers will not apply these dressings, because they know that the assessable value of their land (and perhaps consequentially its rent) will be raised. The same applies to the installation of labour-saving machinery or of plant for the conversion of farm products into marketable commodities."

In the matter of land reform, and in the light of economic truth, there is no dividing line between town and country. No one can draw the boundary where the present mode of taxation ceases to penalize building and improvement or hold up great and promising developments. No one can deny that the value of land, apart from improvements, is a public value whether it be high or low or wherever the land may be situate. The case for the taxation and rating of land values, in its general application is thus clearly established. It would make land available that is now withheld from use. It would promote the making of every desirable and much-needed improvement. It offers to town and

country the same advantage and the same opportunity to solve the problems that are common to each, and link up the interests of rural and urban workers in unfettered co-operation.

A. W. M.

## LAND REFORM

BY ASHLEY MITCHELL

(In the *LIBERAL CLUBS' JOURNAL*, September, 1924.)

This important question has not been discussed by Liberals in recent years to the same extent as it was before the war. Some have forgotten its importance, others regard it as such a settled part of Liberal Policy as not to need discussion; but it was pressed by Liberals before the war as the only way to deal with unemployment, bad housing, etc.

Speaking at Aberdeen in November, 1912, Mr. Lloyd George said, "Search out every problem, look into these questions thoroughly and . . . you will find that the land is at the root of most of them." We were agreed about the urgency of the Land Reform in those days; then how much more necessary is it now in our present difficulties. Many people, when they hear of land instantly think of agriculture, as if the land question was only a matter of interest to farmers; others, when they hear of the taxation of Land Values, think it is merely a desirable tax reform, but before the war we knew that the land question was the rock-bottom question and that the taxation of site values was the way to deal with it.

If people would understand the importance of the land question let them go to the top of a hill, and, looking down, they will see that everything must have a site to rest on. Town, village and hamlet must all rest on land. That a man wanting a piece of land to build a house upon, when he has secured it, still needs more land, that his office, shop or the factory in which he works is based upon land just as much as the farm or allotment.

This, of course, sounds very simple and elementary, but it is because people forget it and allow its significance to escape them that so many think of land as just of interest only to country people.

Such a necessity for existence is of equal importance for all. Let us refer to the Liberal Land Campaign of 1909. Speaking in June of that year, Mr. Alexander Ure then said "What are the special characteristics of land as distinguished from other commodities?"

1st It comes from the hand of the Creator and does not owe its existence to man.

2nd It is limited in quantity.

3rd It is necessary for our existence.

It is necessary for our production.

It is necessary when we wish to exchange our products with one another.

4th The value of land is independent of the value of any buildings or other improvements upon it.

5th Land owes its value entirely to the presence, activity and demand of the community.

6th Land cannot be carried away and cannot be concealed.

We constantly speak of our native land, of our obligations to it as the place whence we derived our infant nourishment, and to which we owe our existence. These facts are taken as a matter of course, but our equal right to a share in our native land is ignored and forgotten; instead we have the position that our native land belongs to individuals and the rest of the natives must pay rent for the right to exist there, and by rent, I mean rent for sites and not rent for buildings and improvements, which is really interest on capital.

That state of affairs is what is meant when we speak of land monopoly; just as much a monopoly as if one person owned the whole lot, as the bulk of the people have been dispossessed of their natural right to a portion and place in their own country.

The result is that we have the present position: that revenue, both for local rates and national taxes, is raised from trade and industry; in proportion as people are industrious so are they rated and taxed, but if land owners keep land out of use or only partly used, then they escape with very low rates and taxes, although their land may be extremely valuable. Who has not heard of the countless cases of land, rated and taxed on a value of a few shillings per acre, when it has been wanted for building being valued at hundreds of pounds per acre. That means that the necessary taxes have to be placed upon industry, and at the present time the load is almost unbearable. But if we were to rate and tax site values at their real value, which can only be done a step at a time, then we should be taking a value which the people have created, relieving to that extent trade and industry.

Socialists say that private enterprise has failed, but under such a land system as we have had to put up with so far, private enterprise has never had a fair chance; and until we compel owners to allow land to be put to its full use, which they would do if they were more rated and taxed on its real value, only then can private enterprise be judged.

As Mr. Asquith said at Buxton in 1923, "We hold, as we always have held, that, so far as practicable local and national taxes which are necessary for public purposes should fall on the publicly-created value, rather than on that which is the product of individual enterprise and industry."

"So long as it remains profitable to keep land out of use, *i.e.*, the sites in our country of all kinds, but on the other hand penalties inflicted when it is used, so long shall we have the most pitiful spectacle of all—the sober industrious man willing to work but unable to secure the opportunity. In an age which boasts of its marvellous inventions, it is incredible and ridiculous that this absurd old system should be tolerated a day longer; that people should be educated and then denied opportunity is wicked and must be altered. People who have obtained political freedom can, if they will only think for themselves, secure economic freedom by supporting the policy of the taxation and rating of land values.

This I maintain is real Liberalism and was well understood by Liberals before the war; that it has not been accomplished only makes it more urgent; when it is done then we may see light through our present difficulties and no man can put a limit to the possibilities of a civilization based upon full liberty in our age of invention.

## QUESTIONS IN PARLIAMENT

MR. WINSTON CHURCHILL'S PLEDGE

16th December

Mr. MACLEAN asked the Chancellor of the Exchequer whether, in view of his statements on the subject of the taxation of land values, it is his intention to increase the revenue of the country by introducing a Clause to tax the value of land when he introduces his Budget?

Mr. CHURCHILL: Sir, I took occasion to inform my 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.

(Mr. Churchill's Edinburgh speech, 28th July, 1917, on the Taxation of Land Values was reprinted in LAND & LIBERTY of December last. It has since been published

in leaflet form by the United Committee and copies are available for distribution at 2s. per 100 from our offices.)

## INCOME TAX RELIEF WHERE LAND IS NOT USED FOR HUSBANDRY

10th March

Mr. MACKENZIE LIVINGSTONE asked the Chancellor of the Exchequer what is the aggregate annual value and the aggregate area of all lands in the United Kingdom that are assessed at one-third of their annual value under Schedule B of the Income Tax (Finance Act, 1922, Section 23), on the ground that the persons occupying such lands are not occupying them for the purpose of husbandry only or mainly for those purposes; what is the aggregate annual value and the aggregate area of lands so assessed that are occupied by the proprietors; what lands, apart from parks and woodlands are comprised in the category of lands not occupied for the purpose of husbandry only or mainly for those purposes.

Mr. CHURCHILL: Many of the particulars for which the hon. Member asks are not available. It is roughly estimated that the aggregate annual value of lands assessed under Schedule B on the basis of one-third of the annual value is in the region of £2,000,000. These lands include, in addition to parks and woodlands, lands used for a variety of purposes, for example, sports grounds and lands occupied for trade other than husbandry.

## COL. WEDGWOOD AT BOOTLE

Colonel Wedgwood, speaking at Bootle 1st March, said Labour, once lukewarm, now realized that in the land question was to be found the key to the problem of unemployment. It was very difficult to get any party to face up to the fact that they could not secure justice and freedom without damaging those who benefited by injustice and profit from wage-slavery. They all dared not face the vested interests. Labour dared, and Labour saw the way. Labour was no longer in office, because Mr. Snowden would have made the first onslaught upon the landed interest in his 1925 Budget. They proposed to break the monopoly by taxation, by recovering for the public that land value which was the publicly created value.

To-day the State was making a great road from Manchester to Liverpool. Although it did not reach to either Liverpool or Manchester, the land that had to be bought would cost over £300,000. The materials for the road would cost over £500,000—all going into the pocket of the owners of the earth. When the road was built, the frontage, admirable for factories as well as for housing, would rise to at least £200 an acre. For a quarter of a mile each side of the road every private landlord would reap a rich harvest as the result of the expenditure of public money.

AT 1,000 FEET ELEVATION.—The reason why Seed Potatoes from the North—the farther north the better—yield so well is that they are grown where the possibility of infection by aphides from diseased plants is reduced to the minimum. Acting on this knowledge we now grow a very large quantity of our Seed Potatoes north of the Grampians, in North Aberdeenshire, in Ross-shire and in Banffshire, and we are certain surprising results will be obtained by our customers in 1925. In the Dunbar district we are still interested in considerable areas 500 feet above sea level, and on the Pentland Hills we grow some valuable varieties at an elevation of 1,000 feet.—From a circular issued by Dobbie Ltd., The King's Seedsmen, Edinburgh.