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"OWNERSHIP FOR ALL"

THE REPORT of the Liberal Party sub-committee on the distribution of property* is a well written and stimulating essay in framing an economic policy. It raises so many fundamental problems and suggests so many others that are not dealt with that an adequate review might well occupy as much space as the sixty pages of the report itself.

Striking figures are quoted illustrating the present extremely unequal distribution of property. Less than one per cent of the population, for example, with fortunes of over £10,000 each own more than 60 per cent of the wealth of the country. This is "obviously out of relation to the distribution of ability and talent among the members of the community," and it has the effect of preventing the latent talent of the poor and the children of the poor from being developed. The unequal distribution of wealth has other detrimental social and political consequences in that it interferes with free competition and tends towards monopoly, and is in the end "a standing menace to democracy."

The causes of inequality in the distribution of property are classified as (1) differences in ability, prudence and other personal qualities, (2) the institution of inheritance, (3) inequality of opportunity, (4) monopoly, (5) indirect and concealed taxation, (6) quotas and subsidies, and (7) the rating system "which penalizes enterprise and rewards parasitic land owning with wealth created by public improvements."

Some of these items call for comment. It is not suggested that differences in personal ability can be suppressed or that they should not be accompanied by differences in earnings. The effects of such differences are grossly exaggerated in a community where so much natural ability never has an opportunity of expressing itself, and where ability, therefore, appears to be confined to a few. Another report is promised upon equality of opportunity and we must await the terms of it.

The institution of inheritance is assumed to be a major cause of inequality of possessions, but it seems to us to be rather a means by which that inequality is transmitted and perpetuated than an original cause. It is, however, true to say that it has largely been customary for the wealthier classes to leave the major portion of their wealth to one member of the family, usually the eldest son. There is on the other hand little reason to believe that in those countries where the

law provides for a more or less equal division among the children the tendency to inequality has been much mitigated. This report says that "such equalizing tendency as the death duties may exert has not, as yet, produced any striking change in property distribution." It proposes that the death duties should be graduated according to the size of the bequest left to each beneficiary, and that if possible a further penalty should be imposed upon bequests to persons who are already wealthy. There would certainly be great administrative and other difficulties to overcome, and the proposal seems to deal with effects rather than with causes.

One of the most valuable sections of the report is that dealing with tariffs, quotas, marketing schemes and other legalized means of restricting production. Few people realise the extent to which new and extensive monopolies have by these means been created in recent years. If some calculation could be made of the amount of monopoly profit so taken from the people generally for the benefit of a few, the result would certainly be startling and alarming.

On the subject of other forms of monopoly the report is inadequate and disappointing. It refers to "natural" monopolies, such as those in the supply of gas and electricity. The term "natural" in this connection is somewhat misleading. There is nothing to prevent any one who has the necessary equipment from producing these commodities. The monopoly arises from the fact that the state empowers certain producers to lay pipes or mains through public thoroughfares and thus creates a monopoly of selling or distribution. If some other equally effective method of distribution could be devised, these undertakings would lose their monopoly privilege. Something of that kind has taken place in the case of railways and tramways by the development of motor transport, and the state has been invoked to safeguard the monopolist by limiting the competition of the new form of transport. One of the arguments for this was to safeguard the livelihood of the men engaged in the railway industry, but the real objective was to enable the shareholders to continue to draw a monopoly profit and to save them from the fate of shareholders in competitive industries of having to write down the assets to their real value.

The report hardly deals with the most fundamental of all monopolies, that of land, except in so far as this is indirectly referred to in the section dealing with rating. Indeed it conveys the misleading impression that this question is not of importance by referring "with satisfaction" to the fact that the ownership of agricultural land "has of late years been considerably diffused" in so far as "something like 40 per cent of our agricultural land is now occupied by the legal owners." A damning indictment could, however, be made of the distribution of agricultural land if account were taken of the size and value of the various holdings, of the proportion of the agricultural population holding land, of the difficulty of obtaining small holdings, and so on.

But the land question is by no means an agricultural problem. The major part in value of the land of this country is used for other purposes which are as essential to economic life as agriculture, and the concentration of valuable land in few hands is notorious.

Here we come to the basic weakness of the report.

* *Ownership for All*. Liberal Publication Department. Price 1s.

No attempt is made to analyse the concept "ownership" or "property," nor to distinguish between the results of property in various classes of things. For instance it is important to remark that the 60 per cent of the "wealth" of the country owned by one per cent of the population consists very largely of land values and monopoly rights, and represents the value of the privilege of appropriating a very large share of the annual production of labour. It is clear that land occupies a very different position in economic life from other things. It is the physical source and foundation of all production. The supply of it is fixed and cannot be increased by man. It may be said, we know, that some works of man's hands are in a similar category. No one can increase the supply of paintings by Raphael or Turner. That statement is true, but it has no bearing upon the real question. The distribution of wealth is not rendered unequal because the supply of "old masters" is limited, although the distribution of old masters may be rendered more unequal because of the maldistribution of wealth. It is also sometimes said that man makes land, in the sense for example of reclaiming it from the sea; but if the land were not there it could not be reclaimed.

Land, therefore, is a monopoly in that the supply of it is limited. It is also a monopoly in the sense that the ownership of it gives an unearned income. The value of any particular piece of land is a measure of the natural and social advantages appertaining to that plot. The owner of it can draw an income merely by giving somebody else permission to make use of those advantages which neither he nor any other individual made.

It is physically and economically impossible to secure anything approaching equality of land-ownership for the whole population by attempting to split up land into equal shares. Such attempts have been made in primitive agricultural communities by periodical divi-

sion of the land, but they have all broken down under the stress of modern economic conditions. The only way is to divide, not the land, but its value, by taking its annual value for the public revenue to be used for the benefit of the whole community. The problem cannot be solved by endeavouring to create a larger body of landowners. To do so would merely impede reform by creating a larger body of people who would be likely to believe that any interference with the present system of landholding was wrong.

This has also an important bearing upon the question of taxation. The report very properly stresses the accentuation of the maldistribution of wealth caused by indirect or concealed taxation, but it does not indicate how they should be replaced except that it should be by direct taxation, apart from the proposed modification of death duties which presumably would yield more revenue.

The land question is also inseparably connected with equality of opportunity which is to be the subject of a further report. There cannot be equality of economic opportunity without equality of access to land, and there cannot be equality of access to land while some people have to pay others for permission to use it.

The report does contain a recommendation for transferring a substantial portion of the rates to site values, but this recommendation is vitiated by the suggestion that lessees will have no right of deducting any part of the land-value rate from the rents which they pay. The lessor of land let on lease would therefore escape making any contribution, at least until the lease terminated. Such a method of dealing with a rate on site values is not defensible. In any case it will be necessary to go much further than a transference of some part of the rates to site values before anything approaching equality of access to land is secured. It is to be hoped that the second report will deal with this more adequately and radically.

THE PROBLEM OF TAX EVASION

By W. R. Lester

WITH A record expenditure facing the country there is much searching of hearts as to who is to bear the burden and much exploring of devices by means of which it can be avoided. The columns of *The Times* and of the *Daily Telegraph* have recently been full of the subject and have borne witness to the wide evasion of income and surtax now being practised. Some of these methods of evasion are illegal and purely fraudulent but by no means all of them, for it appears that others are well within the four corners of the law as it stands. These latter methods have been the subject of much discussion, which has had influence on the current Budget, where stringent provisions appear whose aim is to make ineffective these tax-dodging methods.

The protagonists have been divided into two camps: those who denounce as reprehensible and immoral all avoidance, whether by methods within the law or not, and those who while equally condemning illegal evasion, maintain that if there exist loopholes in the technical structure of our taxation laws, any taxpayer who wants to reduce his burden is perfectly justified in availing himself of them if he is clever enough to discover them, even though, in so doing, he places a heavier burden on others more scrupulous.

By those who thus argue it is held that since full advantage is usually taken by the revenue authorities

of the technical structure of taxation laws whenever a higher yield to the Treasury can thus be secured, it is perfectly in order from every point of view for the taxpayer to do the same when it tells in his own favour, and this, from all accounts, is the course very many income tax and surtax payers are now following with great success.

To remedy this state of affairs all that has been suggested is a tightening up of taxation law. Further than proposals of this kind no one has gone, though considering the small success attained by all such efforts in the past there would not seem to be much to hope for in this direction. As fast as one device has been suppressed others have sprung up to take its place. To us it appears that if avoidance is to be ended and each taxpayer forced to pay his just share of the national burden the deeper cut will have to be made. We shall have to recognize that a system of taxation which admits of such wide evasion as does the present and has so far baffled every effort to make watertight, is inherently a defective system and ought to be replaced by another more sound, not only in the technical drafting of its law but in the whole principle on which it is based.

We shall be driven to seek a completely new form of taxation whose incidence cannot be avoided even by