

PARLIAMENTARY DEBATES

(Budget Proposals)

25 APRIL, 1945.

Reference to Land Values as a rightful source of public revenue was made in several speeches.

Mr. W. J. Brown (Independent, Rugby) said:—

How can any of the measures proposed in this Budget be justified while the Chancellor leaves untouched one of the biggest sources of possible taxation in the country, the year by year increment in site values in Britain? I have my office on a site owned by the Duke of Westminster. Year by year, leases on that property where my office is situated fall in, and every time they fall in the lease to the newcomer is 1½, 2, 2½, or 3 times what it was to the outgoing tenant. Vast fortunes have been made, the fortunes of great families have been made in this country, out of the increment in site value year by year, to which the landlord contributes nothing, and which is the creation of the people who go to live in the area concerned. There can be no justification for taxing old age pensioners' beer and tobacco, while leaving the Duke of Westminster alone on the increase of the site values of the land which he controls.

Mr. R. R. Stokes (Labour, Ipswich) said:—

Surely, the whole keynote of taxation is, first of all, that the tax must be a just one. This proposal is to collect back for the people, the values which they have created. What is more just than that? Secondly, it is a sound form of taxation, because it is easy to collect and absolutely impossible to evade. You do not need an army of bureaucrats to do it. Thirdly, it stimulates rather than hinders. All these Purchase Taxes and Income Tax—I would abolish the lot, Income Tax included. If you tackle the thing in the right way, and tackle wealth at the source, you could do it, instead of penalising people for their effort. Again, this tax does not in any way hinder or limit production and it does not interfere with the income of the working people. I hope the workers of the country will learn that soon. I am glad to see that they are getting a higher level of education on this point and are beginning to realise humbug of Income Tax, which is a most iniquitous form of tax.

Wealth is produced, and it is only produced by the application of labour to land. A certain amount of what is produced must be taken to run the community. The thing that I am fighting is the criminal burden laid on the working people of the country by the private monopoly, ownership and control of land and raw materials. I want to give the value of it back through a charge on site values which would stimulate production and force idle land into use.

We do not want full employment and a regiment of slaves marched from industry to industry under a sort of glorified Beveridge plan. We want full freedom of opportunity to employ our capabilities and to receive the results of our labours and not to have unnecessary taxation, either direct or indirect. The only way to do that is to tackle the fundamental issue, and that is, the ownership and control of the land and raw materials.

Mr. A. MacLaren (Independent, Burslem) said:—

We have an ironical situation. Poverty, on the one hand, is clamouring for more State charity, while unemployment, which is caused in its early stages by land monopoly, is clamouring for Beveridge

and so-called security. The State has no money at all except what it can wring out of the taxpayer. We have an economic system which is constantly creating poverty, in a state of society where men are becoming humane and intelligent. When men see other men suffering from those evil effects, they become emotional and fly to Acts of Parliament in order to give something back to the people who are in poverty. Economic forces work constantly creating unemployment, yet we come here moving for more Acts of Parliament, for more doles and more insurances.

The first of the two things to be watched are: What is the relationship of the community to free access to natural opportunities, and how far can people within the State freely use their labour power to produce the things which they want from the earth, the land on which they live? If that principle is restricted in any shape or form, unemployment is inevitable. Next in importance to labour for land is: How is taxation levied? Indirect taxation has effects which have been noticeable in Germany as in this country. So long as the poor knew that direct taxation was being levied on the rich they clamoured for more State subventions and enjoyed it. In fact it became a canon in their minds, that it was the rich who should be "soaked" by taxation so that they themselves could get some back. But when someone kindly puts in front of the Chancellor the fact that he has got beyond a certain mark of taxation and that the so-called upper-classes cannot bear any more, he is forced to put a little direct taxation on the working class; and then the fun begins. There are three basic industries in this country coal-mining, agriculture, and the sea. Instead of the wages of their workers being taxed those workers should have a far better wage than they are now getting, and it should be tax free. The moment you put taxes upon them, their reaction is to produce less. The Government can go on spending money upon American machinery, as they are doing, but no more coal will come up and I again say, that if the Chancellor will take the tax off the miners' wages, we shall get more coal than we want.

Sir John Anderson (Chancellor of the Exchequer) said:—It is in the minds of a number of hon. Members that when an increase in the value of land becomes apparent, for example through a lease falling in and being renewed, that that is the occasion when there suddenly comes into existence a large amount of new capital which could be taxed. Nothing of the sort. The accretion of capital value is a process which is going on continuously. Land is changing hands all the time, and on a rising market at increasing rates, and unless you are going to do very grave injustice you cannot suddenly pounce selectively on that class of property and seek to take enormous sums from those persons who at that time happen to be in possession of that type of property rather than some other kind of property. That simple fact imposes a definite limit on what you can raise by a tax of this kind without injustice. If any hon. Member suggests that the Government have disregarded this matter and they have no policy at all, I would ask that hon. Member to look at the White Paper on Compensation and Betterment and he will see a long term plan for dealing with this particular subject which some regard as of great social benefit.

6d. LAND VALUE TAXATION IN PRACTICE. Review of what has been done in a number of countries. By A. W. Madsen.

ETHIOPIA

A new Agrarian Law, which in principle makes natural fertility the basis of taxation levied on land, was adopted by the Ethiopian Parliament in its session of 1944. This legislation is described in the *New Times and Ethiopian News* of April 21, 1945. "The purpose of the Act," it is said, "is to bring unused land into cultivation. Holders of large estates of which only a part was cultivated, formerly paid little or no tax for the land lying waste. Under the new law they will be taxed for their unused land as though it were in full production. Therefore, in most cases, they will cultivate or sell, leaving the land free to be used by landless people genuinely desirous of farming or by industrious cultivators whose holdings are too small to support them."

Tithe and tax are now the only charges on the land; all other taxes, charges, services (in respect of land) and land fees, were repealed by the 1944 Act. The unit of land measurement is the "gasha," now fixed at 400,000 square metres, corresponding to approximately 109 acres. The money standard is the Maria Theresa Dollar, equivalent to 2s.

Tithe and tax are proportionate to the quality of the land, which is classed in three classes—fertile land, semi-fertile land, and poor land, and the rates vary accordingly. For example, in five of the provinces, tithe and tax taken together are 50 M.T.D. per gasha on fertile, 40 on semi-fertile, and 15 on poor land.

Although the Act obviously applies only to pastoral and agricultural land, attempts assessment only of natural fertility and grades land into no more than three classes with necessarily sharp and sudden distinctions, it is a great progressive step. Its basic principle, although it is inadequately and incompletely applied, is that every holder of land pays a rent for it to the community, and that no tax is levied on the work of the land user nor on his produce, or his improvements, or his goods and chattels. No one pays more for using the land well, and no one pays less for misusing the land or leaving it idle. The full and correct application of the principle is to assess land not on its natural fertility in the purely agricultural sense (which takes no account of advantage of situation and would rule out all assessment of urban land) but on its value apart from any buildings or improvements. May Abyssinia develop its good legislation on these lines, and apply Land Value Taxation in town and country alike.

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