

TRUE FREE TRADE

The mere abolition of protection—the mere substitution of a revenue tariff for a protective tariff—is such a lame and timorous application of the free-trade principle that it is a misnomer to speak of it as free trade. A revenue tariff is only a somewhat milder restriction on trade than a protective tariff.

Free trade, in its true meaning, requires not merely the abolition of protection but the sweeping away of all tariffs—the abolition of all restrictions (save those imposed in the interests of public health or morals) on the bringing of things into a country or the carrying of things out of a country.

But free trade cannot logically stop with the abolition of custom-houses. It applies as well to domestic as to foreign trade, and in its true sense requires the abolition of all internal taxes that fall on buying, selling, transporting or exchanging, on the making of any transaction or the carrying on of any business, save of course where the motive of the tax is public safety, health or morals.

Thus the adoption of true free trade involves the abolition of all indirect taxation of whatever kind, and the resort to direct taxation for all public revenues.

But this is not all. Trade, as we have seen, is a mode of production, and the freeing of trade is beneficial because it is a freeing of production. For the same reason, therefore, that we ought not to tax any one for adding to the wealth of a country by bringing valuable things into it, we ought not to tax any one for adding to the wealth of a country by producing within that country valuable things. Thus the principle of free trade requires that we should not merely abolish all indirect taxes, but that we should abolish as well all direct taxes on things that are the produce of labour; that we should, in short, give full play to the natural stimulus to production—the possession and enjoyment of the things produced—by imposing no tax whatever upon the production, accumulation or possession of wealth (*i.e.*, things produced by labour), leaving every one free to make, exchange, give, spend or bequeath.

A tax on land values is of all taxes that which best fulfils every requirement of a perfect tax. As land cannot be hidden or carried off, a tax on land values can be assessed with more certainty and can be collected with greater ease and less expense than any other tax, while it does not in the slightest degree check production or lessen its incentive. It is, in fact, a tax only in form, being in nature a rent—a taking for the use of the community of a value

that arises not from individual exertion but from the growth of the community. For it is not anything that the individual owner or user does that gives value to land. The value that he creates is a value that attaches to improvements. This, being the result of individual exertion, properly belongs to the individual, and cannot be taxed without lessening the incentive to production. But the value that attaches to land itself is a value arising from the growth of the community and increasing with social growth. It, therefore, properly belongs to the community, and can be taken to the last penny without in the slightest degree lessening the incentive to production.

Taxes on land values are thus the only taxes from which, in accordance with the principle of free trade, any considerable amount of revenue can be raised, and it is evident that to carry out the free trade principle to the point of abolishing all taxes that hamper or lessen production would of itself involve very nearly the same measures which we have seen are required to assert the common right to land and place all citizens upon an equal footing.

To make these measures identically the same, it is only necessary that the taxation of land values, to which true free trade compels us to resort for public revenues, should be carried far enough to take, as near as might practically be, the whole of the income arising from the value given to land by the growth of the community.

But we have only to go one step further to see that free trade does, indeed, require this, and that the two reforms are thus absolutely identical.

Free trade means free production. Now fully to free production it is necessary not only to remove all taxes on production, but also to remove all other restrictions on production. True free trade, in short, requires that the active factor of production, Labour, shall have free access to the passive factor of production, Land. To secure this all monopoly of land must be broken up, and the equal right of all to the use of the natural elements must be secured by the treatment of the land as the common property in usufruct of the whole people.

Thus it is that free trade brings us to the same simple measure as that which we have seen is necessary to emancipate labour from its thralldom and to secure that justice in the distribution of wealth which will make every improvement or reform beneficial to all classes.

The partial reform miscalled free trade, which consists in the mere abolition of protection—the mere substitution

of a revenue tariff for a protective tariff—cannot help the labouring classes, because it does not touch the fundamental cause of that unjust and unequal distribution which, as we see to-day, makes "labour a drug and population a nuisance" in the midst of such a plethora of wealth that we talk of over production. True free trade, on the contrary, leads not only to the largest production of wealth, but to the fairest distribution. It is the easy and obvious way of bringing about that change by which alone justice in distribution can be secured, and the great inventions and discoveries which the human mind is now grasping can be converted into agencies for the elevation of society from its very foundations.—From PROTECTION OR FREE TRADE, by Henry George.

Collapse of the Agriculture Act, 1920.—The Agriculture Act of last year has collapsed under its own weight. It was a development of the Corn Production Act, 1917, which had for its leading feature a guarantee by the Government—or rather by the unfortunate taxpayers—of minimum prices for wheat and oats for six years from 1917 to 1922 inclusive, the prices for the earlier years being somewhat higher than those for the years 1920, 1921 and 1922, for which they were 45s. a quarter for wheat and 24s. a quarter for oats. The plan was that if in any year the average price of wheat were to fall below 45s. a quarter, the difference multiplied by four should be paid to the occupier of every acre that was under wheat cultivation to the satisfaction of official inspectors; with a similar guarantee as to oats, except that in the case of oats the guaranteed price was 24s. and the multiplier five. But even these guarantees were not enough to satisfy landlordism. The landed interest induced the Government to devote the principal part of last autumn session to the passing of the Agriculture Act which, among other things, increased these guaranteed prices to 68s. a quarter in the case of wheat, and 46s. in the case of oats, for the year 1921 and any subsequent year, subject to four years' notice of discontinuance. The Government were well warned of the preposterous character of these further proposals, which were bound to lay a very heavy burden on the taxpayers. Now the Government finds that these guarantees, if continued, would probably cost the unfortunate taxpayers about £20,000,000 a year. So they have decided to abolish the guarantees after paying for this year's harvest; and it was announced at a meeting of the Council of the National Farmers' Union on 22nd June, that the Government had agreed to compound their liabilities under Part I. of the Agriculture Act by a payment of £4 per acre in respect of this year's oat crop, and £3 per acre in respect of this year's wheat crop. Certain other concessions are also being made to the landed interest in respect of their being deprived of the four years' notice that they expected under the Act. So perish the new Corn Laws! They were wrong in principle; they have been a failure in practice; and they have simply fleeced the taxpayers to enrich the landed interest.

The Sudden Change.—When the announcement was made in the House of Commons on 18th June, as to the discontinuance of the guarantees after this year, Lieut.-Colonel W. Guinness asked what new factor had developed to account for this change after the Government had kept them at Westminster till near Christmas to pass the Act; and a Labour Member appropriately observed that there had been an election the day before. Election after election has resulted in the Government losing even "safe" seats; the electors are frightened at the way the Government is squandering their money, and the Government is frightened at the electors. The electors are beginning to see how they have been exploited for the benefit of the Government's friends. These Acts were a scandal. They ignored the fundamental features of the land question; the guarantee of prices operated as a guarantee of rents; and the war

conditions, with the guarantees superadded, enabled the landlords to dispose of vast quantities of agricultural lands at prices undreamed-of for fifty years. Now the purchasers, many of whom have raised a considerable part of the price by mortgaging the land, will find themselves badly caught. Verily, as was said of the South African War, the trail of finance is over it all.

The Minimum Wage Fraud.—The minimum wage provisions in these Acts were in the nature of a fraud, because there was no guarantee of employment at that wage. Indeed, one of the Government's objections to making the minimum higher than the 25s. was that it might lead to grazing being preferred to agriculture. In most places, moreover, the wages were already above that minimum; though in some counties, like Oxfordshire and Dorset, they were below it. How comes it that in counties like these, with rich alluvial soil, the wages of farm labourers should be much lower than in Northumberland, Durham, and some Scottish counties? The answer is that the wages depend largely on the other opportunities open to the worker, that in these other counties there are the alternative industries of mining and manufacturing, but that in the purely agricultural counties there is no alternative occupation, and the agricultural labourer is up directly against agricultural land monopoly every time. The Corn Production Act and the Agriculture Act endowed land monopoly and strengthened landlordism. Our policy is to break down land monopoly, and to open up the natural opportunities to the people. This is the way, and the only way, to raise the minimum wage, increasing what Adam Smith has called "the natural recompense of labour."

A Misleading Report.—Sir John Lindsay, the Town Clerk of Glasgow, signed a report on the Rating of Land Values which appears among the published minutes of the Local Taxation Sub-Committee of the Glasgow Town Council. The feature of the report is the audacity with which a public official, having been asked for impartial information, abuses his opportunity to vent his own prejudices. The attempt to discredit the proposal to levy rates on the value of land and exempt improvements from taxation is obvious. The first handy weapon is the failure of the misnamed "land value duties" of the 1909 Budget. They were a "short-lived and largely futile experiment in the taxation of land values"; so the Glasgow Town Council is told. Sir John Lindsay, knowing well enough that these land value duties had nothing to do with the taxation of land values and were not even remotely connected with the subject he was called on to discuss, describes them in detail and easily proves that they realised but a trifling sum. The impression is left that the local taxation (the rating) of land values is an equally paltry source of revenue.

The question of valuation is then discussed. Of course, before taxation can be levied on land value, it is necessary to value land apart from improvements. The report admits that such valuations are done in the Colonies but is silent about the equal ease and efficiency with which they are made in many of the larger cities in the United States. In this country, however, "there would appear to be considerable diversity of opinion" as to the practicability of arriving at fairness and equity "if this is left to the opinion of the assessor without some basis being laid down." Why this if? How could there be a systematic valuation on any new basis unless, by definitions and otherwise, the valuers did get proper instructions? And is it agreed that fair and equitable valuation is possible where the matter is left to the arbitrary opinion of assessors? We get no guidance from Sir John Lindsay. He simply goes on to make the bold assertion that the Government attempted such valuation "and failed to do it in ten years." Thus, by a statement which glosses over all that is controversial, and is in fact untrue, the Glasgow Town Council are warned against the alleged difficulties of the problem. The truth is that the Government valuation was completed in five

years, so far as it could be completed in the face of adverse legal decisions, political obstacles, the use of the valuers for much work other than actual valuation, and certain favours allowed to landowners during the war. The valuation was begun in 1910 and by September, 1915, all the values had been recorded, although many were not finally "settled" by agreement with landowners. Valuation ceased in September, 1915, and has not been touched since. There was no failure "in ten years" and no failure at all to separate the value of the land from the value of improvements.

Further Misrepresentation.—Having suggested that rates levied on the market value of land would be "passed on" in higher rent or increased price to the occupier and that (strangely enough) vacant land would be cheapened by the same incidence of rates, Sir John Lindsay undertakes another brief. He examines the claim that the taxation of land values would encourage building and improvements and he answers the contention by declaring that the "land value duties" had exactly the opposite effect. They are said to have stopped building and improvement. Having apparently established that point and again confused the land value duties with the taxation of land values, he draws the inference that rates levied on the value of land and removed from buildings will not promote building. Then comes the astonishing contradiction that "if the result of the new rate is to promote building, it will inevitably lead to congestion and overcrowding." The case is now taken as proved, leading to the comforting conclusion that the present rating system may be "preferable to a system that encourages the erection of congested and overcrowded buildings"! If further proof is wanting, the Glasgow Town Council is informed (without any warrant or authority for the statement) that in the City of Sydney, "although land value rating has only been in operation for a few years, it has already led to the erection of skyscrapers, with a result that a proposal has now been made to put an extra tax on such buildings."

The harm of this statement is not merely that the Town Clerk of Glasgow has been responsible for it but that it has gone out to the public on his authority. It has been repeated and embellished in more than one newspaper. The GLASGOW HERALD, for example, in a leading article on 20th June, states that "in order to check this skyscraper evasion it was found necessary to impose a tax on improvements." There has been no proposal of the kind and certainly no tax of the kind and the "skyscrapers" are a myth. The source of all this misrepresentation lies in a remark made by the Town Clerk of Sydney in his report to the City Council of Birmingham merely stating that some opponents of the reform had claimed (and, of course, the claims of disputants are always open to investigation) that skyscrapers had resulted and that *in his opinion* it was "feasible" to tax buildings above a given height. This statement of an expression of what some say and some think has been gratuitously distorted by Sir John Lindsay for the information of the Glasgow Town Council into a definite proposal and by the GLASGOW HERALD into an established fact. With such arguments do our antagonists conduct the controversy.

Local Taxation in Sydney.—A minor point in Sir John Lindsay's report that should be put right is the assertion that land value rating has been in operation for only a few years in Sydney. One should distinguish between the central part called the City and the surrounding municipalities which with the City constitute the Metropolis. In the City, land value rating was begun in 1909 with a rate of 1d. in the £, increased to 1½d. in 1913. Since 1916 the whole of the City's rate revenue has been obtained from a rate on land value only. In the present year 1921-22, the rate is 4½d. in the £. The 40 Sydney Metropolitan Boroughs have, since 1908, obtained all their municipal rate-revenue from land value except in one small borough

where a small special rate falls on improvements. In the boroughs the amount of the rate varies from 4d. to 8d. in the £. In 1918 the rate-revenue of Sydney and its Metropolitan Boroughs was £1,165,839, of which only £1,582 came from rates levied otherwise than on land value alone.

This is not to say that taxation of improvements has been entirely abolished in Sydney. In addition to the City and Town Councils there is an independent rating authority which levies rates for water and sewerage and these rates are imposed upon the annual value of land and improvements, yielding altogether in Sydney and its suburbs £825,402 in 1918. The Board has always levied its rates on the annual inclusive value, but a strong movement is on foot in Sydney to have these water and sewerage rates, like the municipal rates, levied on land value only.

The Story of the "Skyscrapers."—The great development of Sydney since 1908 is shown in the spread of population and the progress of building construction in the interval. Sydney and its suburbs may be divided into five circles or zones, and it is found that in the two inner circles, comprising 8,703 acres, the increase of population has been only 4,980 whereas in the outer zones, comprising 86,556 acres, the increase has been 185,040. As to building construction, there has been an increase in the value of improvements in 11 years of not less than 57 million pounds. Last year, as we reported in our previous issue, houses had been erected to the value of nine million pounds. This shows that far from land value rating causing congestion it has had beneficial effects in healthy and natural development. In the City of Sydney the main building activity has been, of course, for business purposes, but it is only a mischievous opponent of land value rating that would apply the term "skyscrapers" to these structures in an invidious sense. Commenting on the remark made by the Town Clerk of Sydney in his report to Birmingham, Mr. Frank H. G. Cornwall, ex-Mayor of Malvern, Victoria, who is carrying on a vigorous campaign to have the Sydney system of rating introduced in Melbourne, wrote us in October last: "From the point of view of a tenant paying about £200 a year for my own offices in Melbourne, I wish we could get what are referred to as 'skyscrapers' in Sydney. When I was there recently I saw nothing offensive, but some remarkably handsome fine new buildings, the like of which I wish we had here."

The Progress of Housing in New York.—The New York State Legislature has encouraged house-building by permitting local authorities to exempt dwellings not exceeding in value \$1,000 per room and \$5,000 per house or per family apartment, from taxation for a period of ten years. The land on which the structure stands is taxable, but the structure itself is tax-free. We have already given testimony to the immediate effect and the successful operation of that housing policy in New York City, where the new Act was adopted in February last. The Real Estate section of the NEW YORK WORLD of 22nd May has a whole page, reporting lively building activity in all parts of the city with a heading in big type—"Ten Years' Tax Exemption Building Boom Stirs Metropolis." The builders are building 1,000 houses a week. The NEW YORK WORLD says:—

Housing troubles are disappearing before ten-year tax exemption. The projects call for flats to house nearly 700 families and 250 private dwellings, many of the two-family type.

Brooklyn dwellings are started at the rate of 100 a week, while Queens is putting almost as many under way and the Bronx volume reaches fifty.

Flat builders in all suburban boroughs are at work on projects to make homes at moderate rentals. Their architects design houses in which the \$1,000 a room tax exemption covers the outlay—in fact, the average cost of the five room suite in new buildings is \$4,589.