

What Is Land Value-Taxation?

THE object of Land-Value Taxation is to restore to the community what belongs to the community and thus remove the essential cause of poverty and unemployment, and the pernicious antidotes which those evils have engendered. When the principle comes to be fully applied it will remove the basic obstructions which now check production of the things men desire and which at the same time empower some to appropriate the product of others. Land-Value Taxation is based on equal liberty, equality of opportunity and justice; equal liberty to use the land and natural resources, equality of opportunity to gain a living and justice in the distribution of wealth.

Note well the comprehensive meaning of the word "land". It means all land in city or town or country, whether suitable for building or for farming or for mining or for any other purpose. And remember that it is absolutely necessary to distinguish firmly between land, the material element, and those things that are the results of human toil. Be clear also that what is proposed is not a tax on land according to its area, but a tax according to its value.

Who Would Pay and How

The taxes that people are obliged to pay now on their earnings, the things they buy, the food they eat, and their houses would be reduced or abolished. The public revenue would be obtained by assessing the rent or value of the land alone, apart from the value of anything added to it either by owner or occupier—such as houses, shops, factories, machinery, farm improvements, crops, cultivation, etc. Structural and other improvements added to the land would be exempt from taxation, whether national (state) or local. By a perfectly simple alteration in the valuation of landed property, we would value each piece of land and impose taxation on that value. Everything else would be exempted.

Thus Land-Value Taxation is a substitute for present rates and taxes levied on trade and industry; it is not an addition to them. Payable as it would be on the true market value of land, it would naturally be high where the land value is high and low where the land value is low. Also it would be payable by the landowner whether the land is fully used, or is half used or is not used at all. The use or non-use of land does not affect the amount of the tax, since it is the value of the land apart from the use it is put to that counts. That being so, it would be impossible for any one to hold valuable land out of use, or out of its full use, and thus escape contribution, which occurs to-day despite the clumsy and piecemeal legislation which purports to check this practice.

The First Step

It is the merit of this reform that it can be introduced progressively as public opinion may decide until we reach the full application of the principle. That full principle is the public appropriation of all economic rent (the value

of land apart from all buildings, cultivation or other improvements) and corresponding relief of industry from taxation. A start having been made on these lines, it remains for the public to decide how quickly we shall advance towards the complete freeing of industry from taxation.

The Existing System

Let us compare this with the existing system of raising public revenues, and examine the effect of each on personal liberty and social relationships. Under our present system of assessment and taxation no distinction is drawn between land and labour products. The more fully land is made use of, the heavier becomes the load of taxation. Per contra, the more it is neglected or held up for speculation, no matter how valuable it may be, the more it escapes, till we reach the absurd and tragic situation that the owner of valuable and much-needed land has but to forbid its use altogether and he will escape scot free from any contribution to the public exchequer. Thus is offered a premium on land withholding and speculation, with its repercussions of land famine, high rents and overcrowded towns, and the threat of unemployment and low wages which leads to the surrender of liberty in exchange for State-provided security. A glance round any growing district will show how powerful is this inducement to withhold valuable land. Extension of railway or bus service to outskirts, improved main roads, or even the mere rumours of these things, stiffens the price asked for land, and withholding grows apace in view of the prospective rise and the inducement offered by exemption from rates and taxes so long as land remains unused.

Cause of the House Famine

But further evil is inherent in the present system of requiring taxation to be paid according to the use which is made of land instead of levying taxation on the market value, whether the land is used or not. The burden which is thus made to fall on houses, shops, factories, and all other improvements checks the production of such things and raises the price that has to be paid for them. When we remember that the occupier must bear this burden in addition to his rent for land and house, we begin to grasp at least one reason why houses are scarce, and rents are high.

Prevent Land Speculation

Under the Land Values system, not only would this check to production be removed, but a powerful stimulus would take its place. Full use of land would be encouraged, speculation penalised, and the supply of land available for use at fair rent would be increased where now we artificially restrict it. For with taxation payable on land according to its market value, independently of the use it is put to, the speculative element is squeezed out, and it becomes a losing game to own land unless put to its best use, which means unless thrown open to labour and enterprise. With taxation applied on this principle, no man or

corporate body could afford to hold more land than he can put to its most productive use.

No Unused Land

Land would be held for use only; and never merely for renting to others, i.e., for levying toll on others for leave to work. Apply this principle, and the demand of many reformers, that only those who use land shall be allowed to have it, will automatically be realised without legislative enforcement or regulation, and an endless vista opened out for small industry of every kind. The landlord (the private collector of economic rent as distinct from the holder of land who makes a living from developing it) would vanish from the scene; for what object could there be in acquiring land only for renting to others, if that rent were taxed into the public purse?

Imagine the effect on the labour market, and, still more important, the opportunities thrown open for employment of every kind.

Taking Taxes Off Industry

Turning to the relief of industry, we find that of the taxes now imposed directly on houses, factories and improvements, nothing would remain if the principle were fully applied and, in addition, the stifling burden of taxes on incomes and the commodities of life could be progressively reduced, even if national emergency prevented their total abolition. Imagine how, in addition to cheapening land, this relief from taxation would affect the economic and social position; how it would stimulate production, increase the demand for labour and the opportunities for self-employment, mitigate or even abolish the housing difficulty. To attain these ends no experiments with new social systems are called for, no bureaucratic monster of State ownership and management; but simply the overthrow of obstructive land and taxation laws which now block the way to common people who wish to gain a living in their own way, whether as free individuals working on their own, or grouped in voluntary co-operation with their fellows.

True Reform

To rid ourselves of obstructions which stand between us and nature's storehouse should be the first aim of the reformer. After that much may remain to be done, but this is the first and greatest step to better things, and we may find that, under the new conditions it will usher in, many a social problem which now looms large and threatening will be reduced to manageable dimensions or disappear altogether. No social question is so important as Man's proper relationship to the earth on which he lives, moves, and has his being. Land-Value Taxation applied in full puts this relationship on a basis of equity, because, under it, those who occupy positions of special advantage are called upon to pay to the whole people for that advantage, and then left free to earn their livings. Thus, without nationalising the land itself, and without any bureaucratic control over the occupier, equal rights to use the land are secured through nationalisation of its rent.

At first sight this may seem a small reform from which to expect such great results, but may it not be likened to

the points on a railway track which can be so set as to turn the train either into a rich and delectable country or into a desert? To shift the points is a small thing in itself, but on that simple movement depends all that will happen to the train and its passengers on their journey.

How Land Differs from Capital

Critics are fond of describing land and its rent as merely a "form of capital", and ask why any particular "form of capital" should be singled out for taxation. To do that, they tell us, would be an outrage. Well, let us examine this "form of capital" — economic rent — which taxation of land values would, as quickly as expediency allows, turn into the public treasury in lieu of the taxes which now oppress industry.

Land Value or economic rent is recognised by every progressive thinker as the communal fund par excellence, because it is not the product of any individual or group of individuals, but arises and is maintained from day to day by the presence and activities of the whole community. It comes into being with the community, grows with the community and disappears with the community. It depends on the standard of civilisation, rising as it rises and falling as it falls. As the arts, sciences and powers of production rise or fall, so does land value. As the efficiency of public services grows so does land value. Contrast all this with labour products, and it will be found that the very opposite is the tendency. The value of land rises as powers of production increase; the value of labour products falls notwithstanding the fact that taxation levied upon these products may disguise the fall from the consumers. Since land value rises with the usefulness of public services, we here discover an automatic register of the benefit conferred by those services which is to be found nowhere else. That benefit is expressed with wonderful exactitude in the value of land apart from improvements. Every municipal or national service finds its reflection in the value of land: as witness the effect of roads, sanitation, lighting, public security, and the impartial administration of justice. In measure as these improve or decline, so does the value of land rise or fall. Every useful public service calls forth the wherewithal to pay for itself in the land value it creates. Thus every useful public service could be made self-supporting under a just system of taxation.

Taxation according to Benefits Received

For the community to take this common fund and devote it to the common good would take not a penny from the earnings of any man. Contribution according to benefits received is the correct principle of taxation, just as those who occupy the best seats at the show are expected to pay most for them. Under the present system what each man pays towards the public services bears little or no relationship to the benefits he receives from them.

Land Value a Public Value

Here, then, in the value of land, we find a fund eminently fitted, and seemingly, by its very nature, intended to be used for communal services. In this respect it stands unique; and to play with words in describing it merely as one of many "forms of capital", so as to confound it with labour

products, is proof either of ignorance or of deliberate attempt to darken counsel.

As is the case with most fundamental reforms, the remoter implications of thorough Land-Value Taxation are perhaps more important than its immediate results. It has been indicated how it would affect the housing scandal by relieving houses from the burden of rates and throwing open new opportunities to building enterprise.

Opportunity for All

Equally important is its effect on employment. In the last analysis there is but one way in which men find employment, and that is by the application of their labour to the raw materials of the earth, which are all embraced in the term "land".

As Sir William Petty put it: "Labour is the father and land the mother of all wealth." It follows that just in so far as we allow barriers to stand between labour and land, work becomes scarce, unemployment spreads, and wages fall because of the competition of unemployed men. Conversely, it follows that just in so far as obstructions are removed and access to nature's workshop becomes easy,

work comes as a matter of course, self-employment becomes easy, and distribution of wealth becomes fair.

The present system of taxation, by encouraging non-use of valuable land (through its exemption from taxation when unused) and heaping the load on those who make proper use of their opportunities, provides a most formidable barrier between the would-be worker and the source of all wealth. The true remedy is not to build new experimental social orders, but to remove those obstructions which prevent the system we have from working properly. If, under free conditions, that system is still found to fail, it will be time to try another. The remedy for wrong is to cease the wrongdoing.

This removal of barriers against equal freedom to use the earth is the meaning of the reform here advocated; for, under it, all natural resources would be thrown open on fair terms to those who wish to earn their living and the fruits of their toil would be secured to them.

The foregoing article, adapted from a pre-war pamphlet by the late W. R. Lester, M.A., will shortly be available as a pamphlet for general distribution. Copies may be ordered now.

CONVERTIBILITY

But Not For The Poor Englishman

By J. FRANCIS EGGLESTON, A.I.B.

LAST month in my haste I wrote that the more international conferences (at Government level) the more confusion. I can now confirm this at my leisure. Out of the series of International Monetary Fund's conferences, culminating at Delhi, there has emerged a scheme of almost overwhelming shortsightedness, containing the seeds of its own destruction.

Sterling was built up on a thousand-year old coinage of silver, succeeded by a century or more when no fewer than 1,500 million golden sovereigns issued from the Mint on Tower Hill. One might think that such concrete facts would have influenced the minds of our monetary authorities, and that the few mediocre books of Keynes and his acolytes would have been brushed aside as the mere crackling of thorns under the pot of inflation. But no. The nonsense-talkers of Bretton Woods, Mexico City, Istanbul and New Delhi have sullied the fair name of Sterling. The very centre and core of Sterling is the gold sovereign. Sovereigns are legal tender for any amount yet the Briton is prohibited, by certain clauses of the 17,218 word Exchange Control, from holding them.

We now have "Convertibility for Foreigners only", and even then it is not convertibility on the Market in which all may join. It is convertibility into the Dollar which itself is not convertible into good gold coin. (Gold convertibility in the U.S.A. is for Central Banks only.)

To maintain its value a currency must be "homogenous". It must be what is best said in Latin: *Quod Semper Quod Ubique Quod Inter Omnes* — Always, everywhere, between all.

Currency that is good must pass freely over frontiers and from hand to hand, whether that hand be of a Dane, a Spaniard, a Japanese or that much-injured person, an Englishman.

Convertibility for foreigners brings at once two main types of Sterling into existence where there should be one, and one only. Internal Sterling and External Sterling will part company, will strain away from each other, will widen the gap, which ought never to exist. Just as the Dollar at 4.03 tore away from Sterling and left a new par of exchange at 2.80, so will "external" tear away from "internal" currency.

Now for the dollars. British business men have toiled and travelled, the craftsmen have schemed and devised, the financiers have used their prodigious *savoir faire* and ingenuity to open a broad highway between New York and London, free from discrimination and the absurdity of "token dollar imports". Yet these valuable members of the community have no automatic right to hold dollars. The gentlemen of the Bank of England are invested with enormous powers of prohibition to deny the elementary rights which Britons possessed for many generations. And the reasons alleged for this fatal policy would not pass the first few pages of an elementary book on Foreign Exchange, or a dozen words from Ricardo.

There is a great deal more to this question, and the arguing of remedy is possibly contentious, but, like a golden thread through our monetary life runs the precious word, so twisted and garbled, so sneered at, so rendered ridiculous by adjectives of casuistry—that word is FREEDOM.