

was "shocked at the confusion of sheds, caravans and tumble-down structures on the main approach to the city." The Secretary of the National Association of Caravan Residents, in a letter to the *Birmingham Post*, revealed that "there are 250,000 people in this country who are living in caravans and solving the temporary housing shortage on their own initiative."

IN THE BEAUTIFUL LAKE DISTRICT

The Observer, September 24, reports:—

Of most of the smaller houses in the Lakes (Westmorland) Urban District Council's area, which includes Ambleside, Grasmere, Patterdale, and the Langdales, Dr. Frank T. Madge, medical officer, in his annual report to the council states: "Sanitation conditions may appear quaint and interesting to casual visitors, but they are disgusting and disheartening to those of your folk who have to live in them."

WHO PAYS THE LAND-VALUE TAX?

A correspondent has written asking this question: "If a small tax was imposed on land values what would there be to prevent this being passed on in rent by the large landowners to their tenants?"

The question whether a tax on land values can be passed on to the tenant or not, is a question of economic principles. Therefore, be the tax or the landowner large or small, the principles will still apply. Many people as soon as they grasp the idea that taxes upon labour products shift to consumers, jump to the conclusion that similarly taxes upon land values would shift to users. But this is a mistake, and the explanation is simple. Taxes upon what men produce make production more difficult and so tend toward scarcity in the supply of products, which stimulates prices; but taxes upon land, provided the taxes be levied in proportion to value, tend towards plenty in the supply of land (meaning market supply, of course) because they make it more difficult to hold valuable land idle, and so they depress prices. Taxes on products are added to their price, for all competing products must pay the tax; but taxes on land values are not added to the price of land, for competing land of no value would pay no tax.

Sometimes this point is raised as a question of shifting the tax in higher rent to the tenant, and at others as a question of shifting it to the consumers of goods in higher prices. The principle is the same. Merchants cannot charge higher prices for goods than their competitors do, merely because they pay higher ground rents. A country shopkeeper whose business site is worth but a few pounds, charges as much for sugar, probably more, than a city grocer whose site is worth thousands. Quality for quality and quantity for quantity, goods sell for about the same price everywhere. Differences in price are altogether in favour of places where land has a high value. This is due to the fact that the cost of getting goods to places of low land value, distant villages for example, is greater than to centres which are places of high land value. Though land value has no effect upon the price of goods, it is easier to sell goods in some locations than in others. Therefore, though the price and the profit of each sale be the same, or even less, in good locations than in poorer ones, aggregate receipts and aggregate profits are much greater at the good location. And it is out of this aggregate, and not out of each profit, that rent is paid. For example: A shoe store on a thoroughfare supplies certain quality shoes at thirty-five shillings. On a side

street the same quality of shoes can be bought no cheaper. Indeed, the shoes there are likely to be poorer, and therefore really dearer. Yet ground rent on the thoroughfare is very high compared with ground rent on the side street. How, then, can the first dealer, he who pays the high ground rent, afford to sell as good or better shoes for thirty-five shillings than his competitor of the low priced location? Simply because he is able to make so many more sales with a given outlay of labour and capital in a given time that his aggregate profit is greater. This is due to the advantage of his location. And for that advantage he pays a premium in higher ground rent. But the premium is not charged to customers; the dealer of the side street protects them by his competition. It represents the greater ease, the lower cost, of doing a given volume of business upon the site for which it is paid; and if the State should take any of it, even the whole of it, in taxation, the loss would be finally borne by the owner of the advantage which attaches to that site—by the landlord. Any attempt to shift it to tenant or buyer would be promptly checked by the competition of neighbouring but cheaper land.

WHAT SOME AUTHORITIES SAY

"A tax on rent falls wholly on the landlord. There are no means by which he can shift the burden upon anyone else A tax on rent, therefore, has no effect other than its obvious one. It merely takes so much from the landlord and transfers it to the state"—John Stuart Mill's *Principles of Political Economy*.

"Taxes which are levied on land really fall on the owner of the land"—Mrs. Fawcett's *Political Economy for Beginners*.

"A land tax levied in proportion to the rent of land, and varying with every variation of rent will fall wholly on the landlords"—Francis A. Walker's *Political Economy*, quoting Ricardo.

"The power of transferring a tax from the person who actually pays it to some other person varies with the object taxed. A tax on rents cannot be transferred. A tax on commodities is always transferred to the consumer"—Thorold Rogers's *Political Economy*.

"Though the landlord is in all cases the real contributor, the tax is commonly advanced by the tenant, to whom the landlord is obliged to allow it in payment of the rent"—Adam Smith's *Wealth of Nations*."

"The way taxes raise prices is by increasing the cost of production and checking supply. But land is not a thing of human production, and taxes upon rent cannot check supply. Therefore, though a tax upon rent compels landowners to pay more, it gives them no power to obtain more for the use of their land, as it in no way tends to reduce the supply of land. On the contrary, by compelling those who hold land on speculation to sell or let for what they can get, a tax on land values tends to increase the competition between owners, and thus to reduce the price of land"—*Progress and Poverty*.

"A land tax, levied in proportion to the rent of land, and varying with every variation of rent, is in effect a tax on rent; and as such a tax will not apply to that land which yields no rent, nor to the produce of that capital which is employed on the land with a view to profit merely, and which never pays rent; it will not in any way affect the price of raw produce, but will fall wholly on the landlords"—McCulloch's *Ricardo*.