

LAND VALUES.

Fifteenth Year.

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"OUR POLICY."

"We would simply take for the community what belongs to the community—the value that attaches to land by the growth of the community; leave sacred to the individual all that belongs to the individual."—*Henry George.*

FRIENDLY SOCIETIES AND LAND VALUES TAXATION.

It has always seemed to us remarkable that no sooner is a really radical reform brought under discussion than most men's minds at once run to the question, "How will the change affect the privileged interests of the monopolist?" and can only with reluctance be got to ask, "Will it benefit the producing classes at whose expense these privileged interests live?" Much in the same way it is now asked, "How will Land Values Taxation affect the interests of Friendly Societies as holders of ground rents?" instead of, "Will it benefit their members in their individual capacities, and the producing classes in general?" However, we shall follow custom in this matter and take the questions in the order they are commonly asked.

Friendly Societies occupy an exceptional position in that they are not liable to income tax. If, then, we are to assume that our reform begins and ends with a penny tax on the capital value of land in substitution for the present property tax (Schedule A of the Income Tax), it is clear they will not gain in the first place as the ordinary man will who gets his property tax repealed. We notice, however, that according to the figures of Mr. Bunn, Senior Trustee of the Hearts of Oak Society, considerably less than one-half of the Hearts of Oak funds are invested in ground rents, which portion alone would be liable for the Land Values Tax. The balance is lent on mortgage, and this would not be liable. House property is also regularly falling into their hands with the reversion of their ground rents, and bearing in mind that, the value of land once ascertained through

the Budget, it is intended to use it as a new standard for local rating (the penny tax for national purposes and the abolition of the property tax being only a first step), they will gain as owners of house property by the change. For to assess to the rates on land value alone, instead of on the rent of land and house combined as at present, would be to relieve house property from much of its present burdens. In so far then as Friendly and other Societies are interested in house property, they stand to gain by the application of our principle, and the better their buildings the greater will be their gain, because the greater will be their relief from present rates on rental. Even when the Societies sell the properties as they revert to them, they would still reap the full advantage; for the properties would fetch more on the market owing to the remission of present rates on rental and the substitution of a Tax on Land Values less in amount.

Further, the Hearts of Oak own their offices and pay rates and taxes on them. Here again they would gain considerably from the application of our principle. Take their Head Office in Euston Road, which stands in their books at the large sum of £116,394. It is a very fine, up-to-date, modern structure. A glance at the out-of-date dilapidated buildings which surround it is enough to show that the Society is taking the most out of its site. The present system of making rental the basis of assessment must bear very heavily on the Society. Owing to their fine structure they are at present much more highly assessed than their neighbours, who have equally good sites covered with the small or tumble-down buildings, of which there are hundreds in the immediate neighbourhood. In respect of their offices the Society must be now paying at least £1,500 in rates and taxes, which is much more than their fair share. Were land values alone taken as the basis they would pay a much smaller share than they now do, while their neighbours who are making such imperfect use of their sites—some of them no use at all—would come in for heavier payments. The present system of rating improvements is severely punishing the Hearts of Oak for their enterprise and proportionately rewarding their unenterprising neighbours. The land value system would do the very opposite, and as Friendly Societies own many similar office premises throughout the country, which are distinctly above the average, their gain would be very considerable by the adoption of the land values system in lieu of present rates and taxes.

But apart from this, to hear some people speak one would think the members existed for the benefit of Friendly

Societies instead of the Societies for the members. Really, the first consideration is not so much for the Societies as for the men who compose them, and there is no doubt as to the benefit the latter would get from the change. Even if limited to one penny in the pound of capital land value, the new tax would have the effect of pressing into use much valuable building land at present unavailable, thus lowering ground rentals and making it easier to obtain land for building. The increased demand for labour, which will be felt directly land begins to be better used for building and other productive purposes, will also tend to a higher wage level. All experience in the Colonies confirms this view, and even the small rise of a shilling a week on a member's wage would much more than compensate him for any possible loss his Society might suffer in its ground rent investments. The gain to individual members would be immediate and substantial through easier access to land and brisker demand for their labour, and directly the principle is extended to rating their gain will be greater. Land agents, even, admit that if there is one thing more than another which checks building enterprise, it is the present system of rating. Considered as householders and wage-earners the members of Friendly Societies would gain enormously by the abolition of this system, even were it certain that Societies' investments would suffer.

To illustrate how present rates and taxes raise the charge on houses and check their building, and how our system would help householders, take the case of a typical Bedfordshire village. One acre of land is bought at £40 and six cottages built on it. These cottages rent at £6 each, and with rates at 7s. in the pound, are rated at 35s. each. If land value instead of rental were the basis of rating, the charge in respect of rates would be about 4s. 6d. per cottage, a saving of 30s. 6d. to each cottager. As to making good the deficiency in revenue, there is much land in this and every other similar neighbourhood notoriously under assessed, one field within a stone's throw at present assessed at 30s. per acre, having been actually bought for £150 an acre expressly to prevent cottages being built on it, thus helping to aggravate the cottage famine which exists in the village. So apart from the rise in wages to be expected from the change, each of these cottagers would be 30s. 6d. richer yearly, and cottages would be plentiful instead of scarce. Are they to be asked to forego these substantial advantages, even were it certain that the investments of Friendly Societies would in some cases suffer? Or supposing these people are members of the Hearts of Oak Society, we find from Mr. Bunn's figures that the loss on the Society's ground rent investments would be 4s. per member. So on striking a balance the cottagers would be at least 26s. 6d. in pocket annually owing to the change.

We do not follow Mr. Bunn's reasoning when he says that Friendly Societies who have invested in ground rents have been instrumental in bringing land into public use, instead of withholding it from use as is the case with large land

owners, and that therefore their case is quite different. Mere investment in ground rent tells neither one way nor the other. It is instrumental neither in bringing land into use nor in withholding it from use. One thing is certain, some twelve millions of money is needed. How is the nation to get it? The choice lies between increasing present "breakfast table" duties, Tariff Reform, and Taxing Land Values. Beyond these there is nothing we can do.

Mr. Hemmerde has shown (in LAND VALUES of March, 1909)—and nobody doubts it—that to increase taxes on tea, sugar, and tobacco, would be to inflict grave hardships, not only on members of Friendly Societies, but on the whole community, while "Tariff Reform" would hit them harder still. Mr. Bunn, himself, treats these alternatives as out of court, for he does not propose further breakfast table duties and says he is against Tariff Reform. But if he is against these things, what remains except to Tax Land Values—a measure which at worst could but slightly and temporarily reduce the funds of Friendly Societies, while it would immensely help their members along with the whole working and trading community? W. R. LESTER.

PROTECTION.

(Adapted from the French of Bastiat.)

A poor farmer of Pennsylvania raised, with great care and attention, a fine crop of wheat, and forgot, in the joy of his success, how many drops of sweat the precious grain had cost him. "I will sell some," said he to his wife, "and with the proceeds I will buy carpet for our bare floors." The honest countryman, arriving in Philadelphia, there met an American and an Englishman.

"Give me your wheat," said the American, "and I will give you seventy-five yards of carpet." The Englishman said: "Give it to me and I will give you a hundred yards, for we Englishmen can make carpets cheaper than Americans can, for our wool is not taxed."

But a Custom House Officer, standing by, said to the countryman: "My good fellow, make your exchange, if you choose, with the American, but my duty is to prevent your doing so with the Englishman."

"What!" exclaimed the countryman, "do you wish me to take seventy-five yards of American carpet, when I can have one hundred yards from England?"

"Certainly. Do you not see that America would be a loser if you were to receive one hundred yards instead of seventy-five?"

"I can scarcely understand this," said the labourer.

"Nor can I explain it," said the Custom House Officer, "but there is no doubt of the fact, for Congressmen and editors all agree that a people is impoverished in proportion as it receives a large compensation for any given quantity of its produce."

Thus having been protected from the Englishman, the countryman was obliged to conclude his bargain with the American. Consequently his wife carpeted three rooms (had he sold to the Englishman, she could have carpeted four). These good people are still puzzling themselves to discover how it can happen that people are ruined by receiving four instead of three, and why they are richer with seventy-five yards than with one hundred.

The next year the farmer voted for "Protection"—as usual. He wondered why he could not make ends meet—as usual.