

No attempt is made to analyse the concept "ownership" or "property," nor to distinguish between the results of property in various classes of things. For instance it is important to remark that the 60 per cent of the "wealth" of the country owned by one per cent of the population consists very largely of land values and monopoly rights, and represents the value of the privilege of appropriating a very large share of the annual production of labour. It is clear that land occupies a very different position in economic life from other things. It is the physical source and foundation of all production. The supply of it is fixed and cannot be increased by man. It may be said, we know, that some works of man's hands are in a similar category. No one can increase the supply of paintings by Raphael or Turner. That statement is true, but it has no bearing upon the real question. The distribution of wealth is not rendered unequal because the supply of "old masters" is limited, although the distribution of old masters may be rendered more unequal because of the maldistribution of wealth. It is also sometimes said that man makes land, in the sense for example of reclaiming it from the sea; but if the land were not there it could not be reclaimed.

Land, therefore, is a monopoly in that the supply of it is limited. It is also a monopoly in the sense that the ownership of it gives an unearned income. The value of any particular piece of land is a measure of the natural and social advantages appertaining to that plot. The owner of it can draw an income merely by giving somebody else permission to make use of those advantages which neither he nor any other individual made.

It is physically and economically impossible to secure anything approaching equality of land-ownership for the whole population by attempting to split up land into equal shares. Such attempts have been made in primitive agricultural communities by periodical divi-

sion of the land, but they have all broken down under the stress of modern economic conditions. The only way is to divide, not the land, but its value, by taking its annual value for the public revenue to be used for the benefit of the whole community. The problem cannot be solved by endeavouring to create a larger body of landowners. To do so would merely impede reform by creating a larger body of people who would be likely to believe that any interference with the present system of landholding was wrong.

This has also an important bearing upon the question of taxation. The report very properly stresses the accentuation of the maldistribution of wealth caused by indirect or concealed taxation, but it does not indicate how they should be replaced except that it should be by direct taxation, apart from the proposed modification of death duties which presumably would yield more revenue.

The land question is also inseparably connected with equality of opportunity which is to be the subject of a further report. There cannot be equality of economic opportunity without equality of access to land, and there cannot be equality of access to land while some people have to pay others for permission to use it.

The report does contain a recommendation for transferring a substantial portion of the rates to site values, but this recommendation is vitiated by the suggestion that lessees will have no right of deducting any part of the land-value rate from the rents which they pay. The lessor of land let on lease would therefore escape making any contribution, at least until the lease terminated. Such a method of dealing with a rate on site values is not defensible. In any case it will be necessary to go much further than a transference of some part of the rates to site values before anything approaching equality of access to land is secured. It is to be hoped that the second report will deal with this more adequately and radically.

THE PROBLEM OF TAX EVASION

By W. R. Lester

WITH A record expenditure facing the country there is much searching of hearts as to who is to bear the burden and much exploring of devices by means of which it can be avoided. The columns of *The Times* and of the *Daily Telegraph* have recently been full of the subject and have borne witness to the wide evasion of income and surtax now being practised. Some of these methods of evasion are illegal and purely fraudulent but by no means all of them, for it appears that others are well within the four corners of the law as it stands. These latter methods have been the subject of much discussion, which has had influence on the current Budget, where stringent provisions appear whose aim is to make ineffective these tax-dodging methods.

The protagonists have been divided into two camps: those who denounce as reprehensible and immoral all avoidance, whether by methods within the law or not, and those who while equally condemning illegal evasion, maintain that if there exist loopholes in the technical structure of our taxation laws, any taxpayer who wants to reduce his burden is perfectly justified in availing himself of them if he is clever enough to discover them, even though, in so doing, he places a heavier burden on others more scrupulous.

By those who thus argue it is held that since full advantage is usually taken by the revenue authorities

of the technical structure of taxation laws whenever a higher yield to the Treasury can thus be secured, it is perfectly in order from every point of view for the taxpayer to do the same when it tells in his own favour, and this, from all accounts, is the course very many income tax and surtax payers are now following with great success.

To remedy this state of affairs all that has been suggested is a tightening up of taxation law. Further than proposals of this kind no one has gone, though considering the small success attained by all such efforts in the past there would not seem to be much to hope for in this direction. As fast as one device has been suppressed others have sprung up to take its place. To us it appears that if avoidance is to be ended and each taxpayer forced to pay his just share of the national burden the deeper cut will have to be made. We shall have to recognize that a system of taxation which admits of such wide evasion as does the present and has so far baffled every effort to make watertight, is inherently a defective system and ought to be replaced by another more sound, not only in the technical drafting of its law but in the whole principle on which it is based.

We shall be driven to seek a completely new form of taxation whose incidence cannot be avoided even by

the most astute. Taxation is supposed to be payment for services rendered to the taxpayer by the State. The State serves the taxpayer in protecting him from foreign and internal aggression. It serves him in providing roads, lighting, sanitation and many other things that are desirable. The State provides these services just as the butcher, baker and candlestick maker provide services of other kinds and the State is supposed to be paid for them through taxation just as are the butcher, baker and candlestick maker paid through the accounts they render to their customers. Short of going bankrupt there is no way in which tradesmen's customers can evade payment for any of the tradesmen's services. How, then, comes it that payment for services rendered by the State can be evaded by the taxpayer? Surely payment in either case should be equally certain and if taxes are now more easily dodged than traders' bills strong presumptive evidence is provided that present taxation laws are wrong not only in their legal drafting but in their very principle.

In other words, the presumption is strong that taxes as now levied do not correctly measure the services rendered by the State to the taxpayer. This conclusion is strengthened by what we believe to be the undoubted fact that present taxes are increasingly failing to command the moral assent of those on whom they are imposed. It is being increasingly felt that neither income tax, nor surtax, nor any of our indirect taxes provide a correct measure of the service rendered by the State to the respective taxpayers. Nor does the value of the foreign goods a man may happen to import and on which the Customs levy tribute provide any measure of the services the State renders him. The taxpayer's impulse to resort to evasion must, in a large number of cases, arise from the conviction that in paying taxes according to any of these standards he is the victim of injustice. Instinctively he feels he is not getting a fair deal and hence evasion is easily justified.

Can a system of taxation be found which not only truly measures the value of the services rendered by the State to each individual but which also makes evasion impossible? The answer is that land value taxation does fully conform to these requirements. Under that system the economic rent of land is paid to the State and used in ways that benefit the whole community in lieu of present taxes. Put in another way, landowners under land values taxation will continue to draw their rents as at present, but instead of being allowed to keep these rents to themselves, they will be called upon, through taxation, to pay some or all of them over to the State. Just as tenants are called on to pay rents to landowners, so will landowners be called on to pay rent to the community, these payments taking the form of a land values tax. The State will then be treating landowners precisely in the same way as landowners treat tenants, so that landowners will become in fact what they already are in theory—tenants of the Crown in trust for the people.

Two considerations are now to be noted. First that the value or rent of land is the almost exact measure of the benefits the occupier derives from the Government under which he lives; and secondly, that taxation based on that value therefore ensures that each taxpayer will be paying to the State according to the benefits he receives from the State. Where there is no Government there is no land value or rent, but in measure as Government establishes itself and better serves society the value of land appears and increases. It is therefore surely right to say that land value is the just measure of what each taxpayer should pay to the State. It is surely right to claim it as the natural tax

for it is the tribute which natural laws levy upon every occupant of land as the market price of the advantage each enjoys under the State.

Once it is realized that the tax on land values is simply a rent payment to the State and that the value or rent of land reflects accurately the value of the services performed by the State, not only will taxation command the moral assent of taxpayers and so remove the urge towards evasion that now exists, but it will be seen that avoidance of the land values tax is out of the question. It will be out of the question for the same reasons that make it impossible for tenants to avoid payment of their rents to private landowners. It will be seen that just as there is no way, short of bankruptcy, whereby tenants can avoid payment of their rents to landowners, so will there be no way in which landowners can avoid payment of their rent or land values tax to the State. The value of every piece of land will then be assessed and, when agreed to, the assessment will be open to public inspection. Both the land and its agreed assessment will be there for all the world to see. Neither can be faked nor hidden away and the days of evasion will have ended.

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