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*MONOGRAPHS FOR MEMBERS OF PARLIAMENT,  
PARLIAMENTARY CANDIDATES, AND OTHER  
SPEAKERS AND WORKERS.*

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**THE LAND QUESTION.**

**3.**

**Exposure of Socialist and Radical-Socialist Fallacies.**

**THE FALLACY OF HENRY GEORGE**  
with regard to the Growth of Rent.

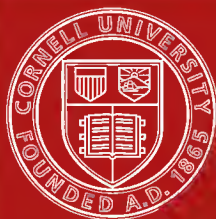
*As Exposed by the Income Tax Returns for the  
Past and Present Centuries.*

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MARCH, 1911.

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# The Fallacy of Henry George with regard to the Growth of Rent.

As Exposed by the Income Tax Returns for the Past and Present Centuries.

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It is notorious that the doctrines of Henry George, even amongst those who would modify his more extreme proposals, are largely responsible for the attacks made on landed property to-day. In order to meet these attacks it is in the highest degree desirable that the precise nature of his proposals, and of the foundation on which they rest, should be realised.

Let them once be clearly realised, and any public speaker can dispose of them by an appeal, which everybody will understand, not to abstract argument, but to hard and ascertainable fact.

**The precise practical proposal of Henry George and his followers, such as Mr. Ure and others.**

George proposed to abolish every social evil by **taxing land up to its full rental value**, and abolishing taxes of all other kinds whatever. **The rent of houses**, he said, should remain **absolutely secure**,

this being an instance of what he described as the legitimate "earnings of capital." He proposed that the State should touch only the rent of "land" as such; but of this it should appropriate the whole, and appropriate it without compensation.

Apart from the naïve crudity of his suggestion with regard to confiscation (a suggestion which Radicals, at all events, profess to repudiate), there is nothing in George's scheme intrinsically or theoretically impracticable. There is nothing even original in it. **All land rent**, in George's sense of the word, **goes**, and from time immemorial has gone, **to the State in China**, and the only theoretical difficulty which George's scheme suggests is not whether it would be practicable, but how, if it were put in practice, poverty would be cured or alleviated by it.

### **The Fundamental Proposition as to fact, on which all George's practical reasoning rests.**

George provides an answer to this question by the **following proposition as to fact**: and it is a proposition on which practically his entire argument hinges. **In every progressive country** (had he been confronted with the case of China, he would probably have retorted that China was not progressive)—in every progressive country—that is to say, in every country in which wealth is continually increasing—the **rent of land** not only increases absolutely, but **increases in a ratio greater than income from all other sources**, so that every year it must necessarily swallow up more

and more of the “wages of labour” and more and more of “the earnings of capital,” until at last the whole income of the nation is absorbed by it, except such a minimum as is required to keep the bulk of the population alive.

### **How it is that his proposals rest on the foregoing proposition.**

If this doctrine is true, even in a modified form, the practical proposal of George becomes logical and intelligible enough. In proportion as any nation increases alike in wealth and numbers, **the cost of the public service constantly increases also**, and if only the State should make itself the sole ground landlord, and appropriate the whole of what George understood by “rent,” it would automatically be possessed of **a fund which would increase even faster than the demands made on it**, without the necessity for imposing any further tribute on anybody. On the other hand, **if rent does not increase in the manner here supposed**—if it does not tend to form an increasing portion of the income of any progressive nation—still more if it tends to form a proportion which is constantly dwindling, **the whole of the promised advantages are obviously a mere delusion.**

### **The great practical question—Is the foregoing proposition true, or is it a fantastic fiction?**

The practical question, then, is this—Does his fundamental generalisation with regard to the increase of rent

correspond with fact—in especial does it correspond with fact in our own country? Or is it merely an unconsidered and fantastic fiction—in vulgar phrase, a colossal mare's nest?

**The precise evidence** as to this point is ample and unambiguous, and, from whatever point we approach it, it **shatters the whole position of George and the "land taxers" to pieces.**

## CAPITAL VALUE.

### The Capital Value of Land in England and Wales from 1781 to 1896.

The following records appeared in the *Times* in 1889 and 1897, of the average amount per acre obtained at all the auction sales in London of estates of over 30 acres :

Period.	...	...	Price per acre.
1781-1800	...	...	£33 16s.
1801-1820	...	..	£36 4s.
1821-1840	...	...	£25 14s.
1841-1860	...	...	£36 8s.
1861-1870	...	...	£43
1871-1880	...	...	£51 16s.
1893-1896	...	...	£26 10s.

**Let us now compare these figures with the national income,** omitting the first period, with regard to which our information is inadequate.

**The income of Great Britain** we know with approximate accuracy to have been in the **year 1800** about

**£170,000,000.** The data as to Ireland are deficient, as was specially remarked by Pitt, but, even if we assume that Ireland was no less opulent than Great Britain, **the income of the United Kingdom** would not have been **in the year 1800** more than **£230,000,000.** In the year **1880** it was estimated by all parties at about, or rather more than, **£1,200,000,000.** In the **year 1896** it was estimated at about **£1,550,000,000.**

**If we take the period 1801-80,** the **capital value of land** rose continuously, apart from one period of depression, **from about £36 to about £51** per acre—that is to say, in a ratio of about **41 per cent.** **The national income** during the same period increased in a ratio of more than **420 per cent.**

**If, instead of increasing**—as, according to George, it always does and must do, **faster than the national income as a whole**—rent had **only kept pace with income of other kinds,** the capital value of land in 1880 would not have been less than **£170** an acre. As a matter of fact it was less than **£52.**

If we follow history farther, the result is still more remarkable. George, having promulgated his doctrine as to the growth of rent in America, visited this country just after 1880, where he asserted it with even greater confidence. At the very moment, when he asserted that the value of land was increasing here and must increase here relatively to all other kinds of income, it **had already begun to decrease,** not only relatively but **absolutely.** If, since the year 1800, its increase, instead of exceeding, had merely kept pace with that of income from other sources, the average value of an acre in 1906 would have

been appreciably in excess of £220. The actual value was less than £27.

George himself, however, did not deal with capital values. His direct assertions related to annual values or rent. Let us now consider his doctrine as expressed in terms of rent.

## **RENTAL VALUE.**

### **The rent of land at various periods, as compared with income derived from other sources.**

The records of rent in this country are given in the Income Tax Returns for an extended period, the period during which the national income as a whole has made the most rapid advances. During this period, according to the doctrine of George (which dominates the ideas of Mr. Ure and other land-taxers of to-day), the **increase of rent**, relatively to income of other kinds, **ought** to have been most remarkable. The Income Tax Returns deal with other kinds of income also. Accordingly, between these and rent it is possible to make a **series of substantially definite comparisons.**

### **How the total amount of "land-rent" is deduced from the Income Tax Returns.**

Rent in the Income Tax Returns is given under two headings:—(1) Agricultural rent. (2) The rent of houses and of the sites on which the houses stand, combined.

The kind of rent which, according to George, increased in a greater ratio than income of any other origin, consisted of agricultural rent **plus** the rent of **sites**, but **minus** the rent of **buildings**, or the interest on the capital embodied in them. In testing his doctrine, therefore, the rent of buildings must be deducted from the total, so that the rent of agricultural land and sites may alone remain.

The ratio of site-rent to gross house-rent, which varies from an average of one-third of the latter in London to a negligible fraction in the case of rural cottages, can be shown for the country as a whole to average about one-fifth. The "rent" of the kingdom, therefore, in George's sense of the word, for any given year, will be about **one-fifth** of the assessed rent of **houses and sites combined**, **plus** the **whole** of the agricultural rent.

### **The Rent of Land and Houses combined, as compared with other Income.**

In accordance with these observations **complete sets of figures** for recent years shall be given presently, but **first**, in order to give the doctrine of George the maximum of plausibility with which any of his disciples could invest it, we will include in "rent" the rent of *houses* as well as sites; we will confine ourselves to England and Wales—the part of the country in which wealth has increased to the greatest amount; and also to the period during which the increase has been most rapid; and side by side with the gross rent of land and houses we will set the gross income derived from professions and businesses as reviewed for purposes of income tax.

## A Preliminary Comparison.

### ENGLAND AND WALES.

Year.	Rent of Lands and Houses.	Income from Professions and Businesses.
1861	£114,058,000	£81,531,000
1875	£132,720,000	£229,396,000
1899	£187,501,000	£357,834,000
1906	£222,855,000	£450,611,000
Increase in } 45 years }	95 per cent.	455 per cent.

Thus we see that whilst the rent of the country, that of structures included, increased by 95 per cent., the wages of professional work and the “earnings of capital” (as George called business incomes) increased not in a lesser ratio, but in one nearly five times as great.

### The rent of Land alone, as compared with income from other sources.

Let us now go more into detail, and consider “rent” in the strict and actual sense—namely, land-rent apart from building rent—in which it was understood by George, and in which Radical “land-taxers,” as distinct from Socialists, profess to understand it to-day, and we will compare the manner in which such rent has increased, as compared with the increase of the total incomes from professions, businesses and employments, reviewed for purposes of assessment by the Commissioners of Inland Revenue.

The figures on which the following table is based will be found in the Statistical Abstracts, Cd. 306 and Cd. 5296. Site-rent, as distinct from building rent, is given as one-fifth of the *total for sites and buildings* for

each of the years dealt with—namely, £122,452,000 for 1885, and £210,396,000 for 1906. In order to get the total land-rent, this fifth is added to the rent of agricultural land.

### **Land-Rent of the United Kingdom compared with Incomes from Professions and Businesses (Schedule D), and Salaries of Employees (Schedule C).**

Year.	Rent of Agricultural Land.	Rent of Sites of Buildings.	Total Land Rent. (a)	Income from Professions and Businesses, and Salaries of Government and Business Employees. (a)
1885	£65,039,000	£24,410,000	£89,449,000	£330,844,000
1906	£52,053,000	£42,079,000	£94,132,000	£615,819,000
Increase per cent. of Land-Rent, and incomes from other sources }			5 $\frac{2}{3}$ per cent.	86 $\frac{1}{3}$ per cent.

In whichever way we turn and twist the matter, we need only consult the definite official records, and we shall see, if we compare land-rent with incomes of other kinds, that **land rent** constitutes a constantly **diminishing, not an increasing, proportion** of the national income.

And yet it is this proportionately **diminishing part of the national** income that the land-taxers select as the **special and inexhaustible gold-mine** out of which they propose to support a **constantly increasing expenditure**.

NOTE—(a) These figures represent the gross amounts “reviewed for purpose of income tax,” and include a large amount of small incomes, exempt or partially exempt. If the *net* amounts, on which income tax was actually paid, are taken, the result is even more remarkable; for, though the *net* income, other than rent, increased only by 57 per cent. instead of 86 $\frac{1}{3}$  per cent., the *net* total for land and buildings combined not only did not increase at all but *declined* by 12 per cent.

## **The Policy of Socialists, such as Mr. Sidney Webb, as distinct from the Policy of Henry George, Mr. Ure, and Mr. Lloyd George.**

As has been observed already, the Radical land-taxers (prominent amongst whom is Mr. Lloyd George) propose, as Henry George did, to attack **the rent of land only**, but Socialists such as Mr. Sidney Webb would treat in the same way the **rent of houses also**. "The ideal rate," says Mr. Webb, on the annual value of sites and buildings together, would be "20s. in the pound."

### **To this proposal one practical answer will be sufficient.**

In the year 1908 the total of land-rent and building-rent which went to persons whose incomes from all sources did not exceed £160 amounted to no less than £34,700,000 gross, or about £30,000,000 net. This is very nearly equal to the total yield of the income tax.

Thus the immediate result of Socialist finance would be **to impose a tribute** almost equal to the **total yield of the income tax** on a class **not one of** whose members had more than **£160 a year**.

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MEMORANDUM 1 (corresponding to Monograph 3 on "The Fallacy of Henry George with regard to the Growth of Rent").

## **DOES RENT INCREASE FASTER THAN INCOME FROM OTHER SOURCES?**

### **CAPITAL VALUE OF LAND AS SHOWN BY SALES.**

The root proposition of Henry George, which dominates the ideas of the land-taxers of to-day, is that rent increases faster than income from all other sources.

This is a ridiculous fiction, which all evidence contradicts.

**Capital Value of Land per acre**, as shown by Auction Sales, recorded in *The Times*, 1889 and 1897.

		Average Selling Value of Land per Acre.			National Income.
	1801-20	... .. £36 4 0 ... ..			£230,000,000
	1871-80	... .. £51 16 0 ... ..			£1,200,000,000
	1893-96	... .. £26 10 0 ... ..			£1,550,000,000
COMPARISON 1.	Increase in Capital Value of Land from 1801 to 1880. 41 per cent.			Increase of National Income from 1801 to 1880. 420 per cent.	
COMPARISON 2.	CHANGE in Capital Value of Land between 1801 and 1896. Decrease—28 per cent.			INCREASE of National Income from 1801 to 1906. 574 per cent.	

Number to quote in ordering, 8.

MEMORANDUM 2 (corresponding to Monograph 3 on "The Fallacy of Henry George with regard to the Growth of Rent").

## RENTAL VALUE OF LAND AS COMPARED WITH INCOME FROM OTHER SOURCES.

### ENGLAND AND WALES.

		Gross Annual Income from LANDS and HOUSES.			Gross Amount earned by Professions and Businesses.
1861	...	£114,058,000	...	...	£81,531,000
1906	...	£222,855,000	...	...	£450,611,000
Increase in 45 years			95 per cent.		455 per cent.

### UNITED KINGDOM.

		Gross Annual Income from LANDS and SITES ALONE (Rent of Structures deducted).			Gross Amount earned by Professions and Businesses (Salaries of Employees earning more than £160 included).
1885	...	£89,449,000	...	...	£330,844,000
1906	...	£94,132,000	...	...	£615,819,000
Increase in 21 years			5 $\frac{2}{3}$ per cent.		86 $\frac{1}{3}$ per cent.

See Income Tax Returns (Schedules A and D) in the Statistical Abstracts, and Reports of Commissioners of Inland Revenue, for the years in question.





