

THE ARGUMENT FOR THE LAND TAXES.

From the London Nation of June 19, 1909.

. New sources of revenue have to be found, and at bottom, when we get below the tangle of controversy, we find two directions, and two only, in which they can be sought. The burden may be imposed on the necessities and comforts of the people, on the materials, appliances and processes of industry and commerce. That is the method, disguise it as we may, of the Tariff Reformer [protectionist]. Or it may be imposed on the economic surplus, on the mass of unearned wealth and of luxurious expenditure. That is the method of Mr. Lloyd George, and its most distinctive point of application is in the land taxes of the Budget. . . . But it is in relation to the land, to the taxation of unearned increment and of undeveloped value, that the principle has its clearest application, and admits of the most useful development. Let us clearly understand what the object of these taxes is, why they are both necessary, and why they provoke such determined opposition.

We may usefully begin with the last point. The opposition is not based on the actual amount of the tax. In particular, the halfpenny in the pound on the value of undeveloped land is obviously a small affair. Be it remembered that all land valued at less than £50 an acre is excluded, and that even above this limit value due to the agricultural capabilities of the soil is not to be taken into account. What remains? On an acre of land suitable for building purposes, but undeveloped for those purposes, which is valued as worth £1,000 in the open market, the tax would amount to a little under £2. It is not the £2 that causes these searchings of heart. It is the necessity for valuation. It is the interest of the public to know accurately, and it is not the interest of landlords that it should be known accurately, what the value of the land of the country really is. It is not their interest, because on the present system they are taxed and rated on one value, but if it comes to selling, and particularly selling to the public, they proceed on quite a different value. The land clauses are disliked, not for the burden which they impose, but for the basis which they lay down for future transactions between the community and the landlord.

There are those who accept the tax on unearned increment, and reserve their opposition for the tax on undeveloped estates, though the former will in a short time bring in a large and the latter will never produce more than a small return to the Exchequer. Here again is an apparent paradox. It would seem that the landlord and his friends accept the bigger and object to the smaller burden, and here again the secret lies in the word

"valuation." The taxation of the unearned increment starts from a date when enormous increments of value have avowedly passed into private hands. Except for the small portion that is recoverable by the tax on reversions, the increment which will come in for duty will be calculated from present values as zero. It will be all future increment. That being so, the obvious method of delaying the action of the tax would be to place existing values as high as possible, while it would be the interest of the valuers from Somerset House to keep them down. It is on this point that the development tax acts as a check on both sides. If the present value of land is unduly swollen by the inclusion of speculative value, it will be taxed as undeveloped land. If it is unduly depreciated, increment will soon accrue. Let us take the case of the same acre of land as before; let us suppose that it is now let to a market gardener for £3 a year, so that its capital value on that basis might be £75. Let us suppose that for building purposes it might readily find a willing purchaser at £1,000. If the landlord seeks to value it, say, at £800, he will have to pay 20 per cent. on the increment when he sells it, as he may do any day, at its full value. That is, he imposes on himself a possible tax of £40. From this point of view it will be his object to keep the value up. It will be better for him to pay the halfpenny tax on the undeveloped value, which is under £2 per annum. But if he exceeds, if, for instance, he puts the value at £1,100, he will be paying a halfpenny in the £ on a hundred pounds for which he will get no return. It is, therefore, his interest to find the true probable figure at which he can sell, and the interest of the Somerset House valuers will be the same. The case for the taxes, therefore, is simply the case for fair valuation, and taxation on real market value.

What is the strength of this case? We have only to think for a moment of the history of our great towns, we have only to form a mental picture of their existing condition and year to year expansion, to supply the answer. Stand at any point on the four mile radius from Charing Cross and consider the belt of country stretching ten or twenty miles beyond the site of the newer and greater London. Within the lifetime of middle-aged people this tract of land has been in the main converted from heath and common, marsh or plow land, into the seat of scores of prosperous suburbs, busy factories, canal wharves, railway sidings. What has effected the transformation? Not the foresight, energy or administrative capacity of the owners of the soil as such. Good ownership may here and there have assisted, and bad ownership retarded the process. But the mainspring has been the vital energy of the people, the whole complex mass of social causes that have given England industrial prosperity,

and have made London the center of the world's commerce. If reward went to the individual in proportion to his services, and were handed on to his descendants, what percentage of this wealth would go to the descendants of Watt and Stevenson, of Cobden and Bright, of all the discoverers and inventors, the thinkers, statesmen and administrators, to whose efforts we owe this vast and peaceable expansion of an orderly and healthy community? We know no way of making the computation; but we are sure that the percentage so expended would be so great as to leave not much for those who have condescended to own the soil, and who have actually received the money. This vast increase has fallen into private hands, through the carelessness and want of forethought too characteristic of our public life, and the result is that we have to bear a burden that presses too heavily on the many whom our industrial progress has left poor.

It will be said—we ourselves have said—that the landlords fear the taxes not for the burden they actually impose, but for the valuation which they necessitate. We have pointed out that as the duties are arranged it will be in the interest of both sides to arrive at a fair value, and why should owners object to a fair valuation? The answer is in part that such a valuation will become, whether by custom or by statute law, the basis of price in compulsory purchases, but mainly that it will facilitate the next step in fiscal reform—that is to say, the shifting of the burden of local taxation from buildings to sites. What discourages building, what weighs upon the householder, and accentuates the housing problem at present is that our municipal finance, unable as it is to draw on the unearned increment for its revenue, is forced to impose the whole cost of the government of a town on buildings and sites indiscriminately. The result is a heavy tax on bricks and mortar, which for all social purposes it would be desirable to relieve as far as possible from all taxation. The separate valuation of the site necessitated by the Finance Bill will make it possible to lay a portion of the rate on the site, and so relieve the building. It is this change, perfectly just, and socially most desirable, which the owners of urban land anticipate with dismay. But the measure of their fears is the measure of the hope for democracy. The Budget has given new life to the Liberal party, and brought it once more into line with those democratic forces which threatened at the close of last year to diverge from it. What is needed now is the resolution to despise timid counsels, ignore ridiculous threats, measure the opposition of unrepresentative men at its true worth, and deal drastically with any treason in the citadel. We have not always agreed with Mr. Asquith, but we rejoice to feel assured that some of his most distinguished qualities, his intellectual lucidity and directness, his powers of

impressive speech and his unflinching loyalty to his colleagues and to his declared policy, are precisely those which the present situation demands in the chief of the party in power.

BOOKS

A STUDY OF RACE CHARACTER.

Ezekiel. By Lucy Pratt. Illustrated by Frederic Dorr Steele. Published by Doubleday, Page & Company, New York.

Ezekiel is a little Negro boy, one "of a child-like, willing, erring race, transplanted from the gentle drift of an Oriental country to the stern, exacting West," and "surrounded there by another people, uncomprehending and impatient." As a boy he is as true to life as Tom Sawyer, but of a type as different as the color of his skin.

Ezekiel goes to the Whittier School at Hampton Institute, down in Virginia; except for a short time, when a Northern man experiments with him in a white school in New England, and with much the same result as might be expected from transplanting a water lily to a sand dune. The boy is without guile and not disposed to indolence, but an imagination that would make his fortune if trained in the manufacture of "best sellers" in fiction, gets him, among his unappreciative superiors, a reputation for prevarication and shiftlessness.

This misinterpretation would be easy to fall in with if the author didn't admit the reader into those recesses of the boy's mind which are closed to the unsympathetic white people of his whereabouts. But admitted to a view of the child's springs of action, the reader finds in this string of stories of a white teacher's experience in a Negro schoolroom at the South, a faithful study of Negro character. It is a study which reveals the Negro as "just folks," differing from white folks not in capability but in temperament, not in less intelligence but in greater affection.

A faithful study this, and humorous in presentation, with little streaks of pathos running through the humor. It is a study, too, of a real Negro boy—composite, may be, but all boy and all Negro. The illustrations are gems of Negro child-life.

PAMPHLETS

A Lesson for Lawyers.

S. S. Gregory's address to the 1909 graduating class of the John Marshall Law School of Chicago, on Samuel Romilly as a great lawyer and law reformer. (S. S. Gregory, 100 Washington St., Chicago), rings out a sounder note than is usually struck by the older lawyers when they welcome young men into