

## WOULD THE TAXATION OF LAND VALUES RAISE WAGES AND BRING THE WORKER ECONOMIC FREEDOM?

We have received the following letter from a correspondent, Mr. J. Coneghan, M.A., Blantyre, Lanarkshire:—

I have been a keen student of Taxation of Land Values, and from time to time have opportunity of spreading the light. I am, however, in a difficulty, and I am writing to you in the hope that you may be good enough to help me with the solution.

Let me state a case, thus:—

Suppose all forms of taxation on private property abolished and instead thereof a single tax or tax on land values instituted. What arguments can I advance to prove that a worker would not still be subjected to wage-slavery?

I know the stock arguments. I know idle land would at once be brought into use, etc. I know also that the idle land would go to the highest bidder and the highest bidder is not the wage-slave. I appreciate the parallel of the fishermen on the lake, the invention of the net, the favourable position in which the hook and line fishers find themselves with relation to the net owner while the lake is free; also the difference of the situation when the lake-owner appears and declares the lake no longer free. But if the lake-owner be banished and a tax is placed on the value of the lake to those who use it, by the community, is not the hook-fisher just as badly off as before? I mean as an individual, for I know full well he would be better off as a member of community. I remember also the story of the Californian gold-digger, who discovered gold on the beach—the beach being free land. I believe the sequel that mine-owners in order to keep their miners had to increase wages to the level of the beach-worker. Yes, but immediately the community steps in to take the new value of that beach does not the worker immediately find his free land gone?

The district here is a mining district and the colliers are all keen-sighted fellows. They ask awkward questions in their search after truth. They would greatly appreciate a clear explanation of the position as it might appear as follows:—

Mr. Blank is a landowner claiming royalties. The Homefire Coal Company own a mine on his estate. The third party is the local miner, with an interested fourth party whom we designate the Community or Nation.

The total value from all sources of that mine is, let us say, £2,310 per annum, apportioned as follows:—

I.	II.	III.	IV.
Landowner,	Homefire,	Miner,	Community,
£1,000	£1,000	£100	£210

The £210 assigned to community is the sum total of all the taxes paid by I., II. and III.; £100 from I., £100 from II., and £10 from III. Let us further assume that Homefire and Landowner have bled No. III. down to a mere subsistence level, that is to say, they have allowed him £110 in all, £10 of which he has to forfeit by way of miscellaneous taxes, and £100 he requires for bare necessities of life and without which he could not live to work at all.

Now comes along the Single Tax system and No. I. is cleared out, and the £1,000 shown against him is forfeit to the community, leaving the table with the miscellaneous taxes not now payable by II. and III. as follows:—

I.	II.	III.	IV.
Landowner,	Homefire,	Miner,	Community,
Nil	£1,100	£110	£1,100

That is to say No. III. has now £10 above the mere subsistence level, and there is nothing to hinder No. II. from bleeding him of this extra £10, leaving the table to appear now as:—

I.	II.	III.	IV.
Landowner,	Homefire,	Miner,	Community,
Nil	£1,110	£100	£1,100

Of course, I argue that the State seeing a new value arisen here steps in and really appropriates all value over and above the original £1,000 of the Homefire Company, leaving the table appear now:—

I.	II.	III.	IV.
Landowner,	Homefire,	Miner,	Community,
Nil	£1,000	£100	£1,210

I know the argument will sometimes be advanced that No. II., knowing the uselessness of squeezing No. III., will leave No. III. to gain, but miners here declare with some reason that every penny gained by the miner over the subsistence wage leaves that miner so much the more independent, and, therefore, the greater menace to the handsome profits of the company or capitalist. For this reason, therefore, it is argued that the Company will take from the miner the extra in order that the State will then have to step along and claim the miner's surplus.

We are led, then, to believe that the State will grow the more and more rich, the riches of the capitalist will still remain and the miner will be bled as before down to a subsistence level. Nor has the miner much use for the notion of a rich community wherein he is as poor as before. He knows how governments are made. He knows how governments like to boast of representing all when in reality they are only representative of a particular class. He consequently does not believe that the enriched coffers of the government will be used to benefit him.

In other words, he does not believe that the institution of the Single Tax will solve the economic problem. He agrees that the

landowner must go, but he looks to other methods for raising his own economic condition.

I trust you will excuse the length at which I have written you. I know as a land taxer you appreciate problems. I feel there is an explanation somewhere, but I cannot for the moment lay hold of it. I shall much appreciate your help, for I feel that the Single Tax is the only salvation. I want, however, to prove it.

With many expressions of thanks for your kindness in sending me literature in the past.

### REPLY

The relation between wages and the rent of land is fully discussed in the two chapters "Rent and the Law of Rent" and "Wages and the Law of Wages" in Henry George's *PROGRESS AND POVERTY*. They should be strongly recommended to all with whom you are in discussion and may at any time be re-read with advantage. We refer you also to the brilliant essay on "The Foundations of Freedom" (in the series of essays bound in book form under that title) as one of the many brief statements of the case that well deserve attention.

Bear in mind what rent or land value is. The case is thus stated in *PROGRESS AND POVERTY*:—

No matter what are its capabilities, land can yield no rent and have no value until someone is willing to give labour or the results of labour for the privilege of using it; and what anyone will thus give, depends not upon the capacity of the land, but upon its capacity as compared with that of land that can be had for nothing. I may have very rich land, but it will yield no rent and have no value so long as there is other land as good to be had without cost. But when this other land is appropriated, and the best land to be had for nothing is inferior, either in fertility, situation or other quality, my land will begin to have a value and yield rent. And though the productiveness of my land may decrease, yet if the productiveness of the land to be had without charge decreases in greater proportion, the rent I can get, and consequently the value of my land, will steadily increase. Rent, in short, is the price of monopoly, arising from the reduction to individual ownership of natural elements which human exertion can neither produce nor increase.

### What determines Wages

The land of any country contains natural resources that are practically unlimited, but they vary in the return they yield to a given application of labour or capital. Those who occupy more productive land have an advantage over those who occupy less productive land; the price of that advantage (*i.e.*, the rent of the land) should be paid into a common fund for the common benefit. If that were done, no one would care to hold more land than he could use—for it would profit no one to pay rent and get no corresponding return. Only the more productive land would command rent. As for all the rest, it would be so plentiful that no one would give to anyone else, or could ask from anyone else, any price for the privilege of using it. There would be no rent on such land, and all the wealth produced there would be appropriated by the user as the result of his own industry. The wages and the earnings of industry obtained on the more productive land would, after payment of rent, equal the level of wages obtainable, on the rent-free land, by workers independent of any employer. And the wages so earned over the whole field of production would be relieved of the great burden of taxation that is borne to-day, whether imposed through tariffs on trade or levied on improvements and the results of industry.

### Land Value under Just Conditions

One of the economic effects of taxing land values would be to squeeze out the prices of land that are now determined by monopoly conditions. For example, the present market value (the price paid willingly in the open market) in respect of land suitable for building on the outskirts of towns is anything from £200 to £1,000 per acre. In assessing that land for taxation to-day, it may be quite fairly valued at £200 or £1,000 as the case may be. But once the tax begins to operate the value will change. Owners (and other people too) will discover that so much land is being made available that rents will drop. A revised valuation will be necessary within a short time.

In due course, as the valuations are rectified, and as the tax on land values is increased, it will be seen what is the true value of all land under what are the only true, proper and natural conditions, viz., that all the more productive land is really put to its best use or most appropriate use before recourse is had to less productive land. That is what the Taxation of Land Values in operation will achieve and find out, and we shall discover that there will be many bounteous "lakes" that have no economic value at all. The more prolific "lakes" will certainly command a rent from the fishermen, and the rent will be paid to the community. How much rent? Only so much as will leave the fishermen the same earnings as they would get by making use of the less prolific "lakes," which are at their disposal in abundance and are now free to all. The Taxation of Land Values would make exclusive possession of these "lakes" too expensive for any would-be monopolist, however rich.

#### Natural Resources Thrown Open

To consider your illustrations. The one concerning fishing occurs in Mr. Lester's "A Worker's Question; Limitation of Output, and a Better Plan." The lake in question is rich in resources. That is the argument. There was more than enough fish for all. A man appears with a document declaring him to be the legal owner of the lake. He restricts production; he forbids the catching of any fish whatever unless he receives rent. He demands 20 lbs. of fish from every fisherman before a line can be cast. We would assess the value of his exclusive possession and, through the instrument of Taxation of Land Values, oblige him to pay rent to the community. We would seize the lake in default of payment. The man who called himself the owner of the lake would soon renounce what he could no longer afford to claim as his property; and in his renunciation very much "land value," as we know it to-day, would disappear. The lake would become "free" pretty speedily. And no one would try again to flaunt a title-deed as an instrument for pocketing the rent of land.

It might happen, but it all depends on circumstances, that various parts of the shore would be more favourably situated than other parts for setting out on a fishing expedition or for landing the fish. Here, a jetty could be thrown out easily; there, only with difficulty. Here, the lake might narrow to a navigable river and so transport could bring the catch quickly to some centre of population. In these ways certain particular localities would become the nucleus of villages, trading stations, or even towns. On all these more favoured spots rent would arise, and there the fishermen and other inhabitants would pay rent to the community. Yet the waters of the lake itself could or would be free to those who could set out in a rowing boat and cast his nets at any point of vantage.

#### Monopoly Prices Reduced

Take a parallel case to our demand on the "lake owner": that having asked rent from other people, he shall pay rent now to the community. We mean—take its economic effect in the change it would make in the land value that is at present due to monopoly. The Town Council of Edinburgh paid the Duke of Buccleuch £124,000 (equivalent to £6,200 annual value) for 105 acres, which it wanted as the site for a gasworks. The land was formerly rated at an annual value of £5 10s. an acre. It was not the only site suitable for the purpose, but the Town Council paid the price, perhaps under the impression that a similar price would have been charged for any other site.

Suppose the Town Council had had power to say: "We can go elsewhere. We reject your offer. But you, Duke of Buccleuch, shall pay us next year, as holder of that land, the full rate of taxation on £6,200." He would reply: "How can I pay such a sum when I get only £577 a year from my present tenants—that is £5 10s. an acre?" The Town Council would answer: "No matter; you

asked us to pay £124,000, which is equivalent to £6,200 annual value, and we do not see why your next year's contribution to the public revenues should not be based on that value." Suppose the Town Council had similar conversations with other landowners who had offered agricultural land at similar price; or even without that supposition, would not the one lesson the Duke of Buccleuch had been taught enable every or any person to acquire land on very different terms in future? In such altered circumstances surely there would be a general reduction in the rent of all land now held speculatively around the outskirts of towns.

As Lord Morley once said (at Forfar on 4th October, 1897):—

It will be thought an intolerable thing that men shall derive enormous increments of income from the growth of towns to which they have contributed nothing, that they shall be able to sweep into their coffers what they have not produced, that they shall be able to go on throttling the towns as they are well known to do in some cases—it is impossible to suppose that the system will not be vigorously, powerfully, persistently and successfully attacked.

#### Wages Raised in all Occupations

Your second illustration—that concerning the gold miners on the sands—appears in Mr. Louis F. Post's *THE OPEN SHOP AND THE CLOSED SHOP*, and Mr. Raymond Robin is quoted as the authority. It will be convenient to repeat the story so that we may be on clear ground:—

There had been a time in Nome when the lowest wages were eight and nine dollars a day, not at gold mining only, but in all employments. But as mining opportunities came to be monopolized and population grew, wages fell until they were down to the minimum of subsistence, which for that place and time was three dollars a day. The "jobless man" had come. And then were seen in little Nome all the phenomena of wealth and arrogance in the midst of poverty and dependence with which we are so familiar in the bigger world. The wages system in its direful sense was in full swing.

But on one memorable day a disemployed miner who could get no work either at mining or anything else, for the labour market was glutted, despondently threw his pick into the tidewashed sand at the seashore; and as he listlessly pulled it out he saw upon it the signs of gold. The seashore was not far from Nome, and below tide water it was free ground. He worked that day on this rich beach, and of his earnings, which were something like \$20, he got all. There was no surplus product. His labour was not fleeced.

The next day the word had gone around, and other claims on this seashore were staked. But unlike the land back of tide water, this land could not, under the law, be monopolized; every claimant had to use it himself or let someone else use it. And there was plenty of it. As word of the wonderful discovery spread, the glut of the labour market ended and wages at Nome rose to \$12 and \$15 a day, which was about what a man could make washing the sands at the shore.

Now mark this: Only disemployed miners were obliged to go to the beach in order to get that till then unheard-of rate of wages. Clerks in stores and waiters in restaurants stayed where they were and had their wages raised. Miners in other mines stayed where they were and had their wages raised. The free and profitable employment at the near-by seashore absorbed "the surplus labour" as we call it, and employers, owners of machinery, were obliged to pay at least as much as could be washed from the sand, or lose their help. The economic condition had been reversed. Instead of ten men and only nine jobs, as before, they were only nine men and ten jobs. The earth at that point had ceased to be a "closed" shop and become an "open" shop, and the "jobless man" had consequently disappeared. The power of what in Nome corresponded to the "factory lord" in our larger society, was gone.

The point is that the sands were not merely "free" in the sense that they could not under the law be monopolized; but also there was "plenty" of the gold-bearing sands and they were "free" in the economic sense too. No part had any advantage over any other part, and none had, therefore, any economic value. Here the State could not take rent; there was no rent to take. The whole produce was the property of the producer and the earnings on the sands set the measure of wages all over the district. Clerks, etc., without going to the sands found that their wages rose to the same level, the explanation being that employers had to pay more, knowing that the clerks had the easy alternative of working for



themselves. In this illustration it is apparent that wages rose at the expense of rent and not at the expense of other workers' wages through increase in prices.

#### Practical Politics

There seems to crop up in your treatment of the matter the idea that under Single Tax the State would dispose of the land as it saw fit—charging rent for any land up to the limit that the user could pay. Whether you mean that or not (and if you do, you are mistaken) any such dispensation must be avoided. Land holding must be based on private rights of user.

All that is required is for each holder to be assessed at the value his land has in comparison with the value of other land. These values find expression every day in the open market, between private parties without the intervention of "the State," and it is perfectly simple to use them as the basis of taxation.

With the necessary legislation, we could at once assess the present-day selling values of land. We could impose even a small tax on the land value so assessed. Then, with the economic effects of this tax in evidence, will come the rectified valuation referred to earlier. In due course an assessment of the true annual value of each piece of land can be made so that each holder shall pay, as near as we can fairly get to it, the whole rent of his land to the community.

The sin committed to-day is that everything, material progress itself, is fastening the chains of monopoly more and more cruelly on the limbs of industry. We see unemployment and bad housing, and we know that one touch of land value taxation, a straight tax based on the market values of the present, would open new avenues to production and so shatter monopoly. Why not urge this first step and deal a little later with the wider problem of how to work out the full application of the principle, and how society would then be constituted?

#### Public Landownership

But this is a digression. Let us return to the State and the municipal ownership of land. We have it to-day in many parts. The London County Council is the largest owner of land in London. It controls its property like any other absolute owner. Its vacant sites are held out of use at rents and prices which the authorities (or the Estates Committee) think some tenant or purchaser ought to pay. In Fulham there is quite a stretch of very valuable street frontage that has lain dormant for many years because no one has come forward to take a lease of the land on the terms demanded. One result is that all rents in the vicinity have been kept at a level higher than necessary and so the County Council has really furthered the interests of all the surrounding private landowners. The rights of the individual are ignored.

Take another case, reported in the pamphlet "House Famine and the Land Blockade." At Egham the Woods and Forests Department demanded £300 per acre for Crown land that the Egham Urban Council wanted to buy for a housing site, while in little Egham itself with its area of 7,786 acres there are 3,253 acres of "agricultural land" paying only £429 in rates—an average of 2s. 8d. per acre. All over the country, monopoly has determined monopoly prices for land. Monopoly prices have become so established that they are accepted as a sort of fetish by all concerned, and the public authorities that own idle or unused land play the same game as any private landowner. Is it not true that private influences, supported often by popular stupidity, prevent public authorities from giving any person the chance to occupy such land except on terms that will not prejudice the rents that landowners in the vicinity now receive?

Public ownership and control are of course required where land is devoted to public uses, or can only be occupied in common. Otherwise we do not stand for public landownership. But where the public authority does at present own land that is suitable for private occupation

and individual possession, effective measures are required to assert individual rights against the false claims of "the State." We must prevent the public speculation that now helps to keep rents artificially high. And no better measure could be adopted than your own rule of the "highest bidder," exercised in this case by the individual against "the State." Public authorities should be compelled to lease the unused land they own to anyone willing and able to use it on secure tenure, subject to provisions for periodic valuation of the rent payable. They should be obliged to accept the "highest bid," even if that were ridiculously low in comparison with the rents now being demanded.

#### The "Wage Slave" and the "Highest Bidder"

You say the wage slave would not be the "highest bidder," but how is that any contribution to the argument? The fact is that the wage slave is the "highest bidder" to-day. Of all the wealth he produces he has to forego everything except a living wage. Can he bid more? Here in London, the non-use or misuse of 8,000 acres of land held speculatively (no matter by whom) keeps up monopoly rents and is a barrier to many industrial developments. If that land was made available to those willing to use it, how does the question of who is the "highest bidder" affect the case? The general level of rent would fall and the "wage slave" would bid very much less than he must "bid" to-day in high rent for a poor abode, long hours and low wages. In poverty and despair he humbly and abjectly offers everything that a man can offer. He must do this or perish for the simple reason that he has no alternative employment.

#### Capitalist Power Destroyed

Perhaps you will excuse our not discussing the arithmetical statement of your case. The figures repeat your general argument and we have tried to meet that. The low wages of the miners and their fear of losing their jobs do not arise *primarily* from the private ownership either of the coalfield or of the plant and machinery where they are actually employed. The low wages on that spot are due to the lack of any alternative employment. The coalfield is, in fact, surrounded by privately-owned land where also the worker is robbed of everything but a living wage. He is often expelled from that employment or occupation is denied to him by root causes over which he has little or no control, and he offers his services at the mine-shaft, so still further depressing miners' wages—if that is possible.

The Taxation of Land Values would reverse that process by throwing open new avenues to employment, providing limitless opportunities for the production of wealth. The capitalist, the owner of plant and machinery, who is powerless unless he can get the assistance of labour in using his capital, would have to adjust himself to the new conditions. Unless he paid the higher wages now obtainable in other occupations, his capital would rot; his investments would be his ruin.

#### The State and the Individual

If the miner is more independent, free to come to the mine or stay away as he chooses, how can it be contended that the capitalist can still bleed him down to subsistence level? With what weapon can the capitalist "take from the miner the extra," that the worker will not himself possess to compel anywhere and everywhere the full reward for his labour? Your reply is simply to beg the question in being "led to the belief" in some monster in the guise of a despotic government, a monster called "the State," which would keep the workers it represents for ever landless by charging monopoly rents for every bit of land—and using the public revenues, for what purpose? To benefit everyone excepting the worker himself, although he constitutes 90 per cent of the population!

A government that practised that policy would strangle industry as effectively as private land ownership is strangling it now. With coffers empty it would go down to destruction. Your miner's notion of a rich community composed of poor and down-trodden individuals is a piece of rhetoric quite unrelated to the argument. The well-known Socialist scheme of compensating the landowners and putting the land at the disposal of the government of the day certainly gives countenance to this view of the case. But that is not what the Taxation of Land Values involves. The Taxation of Land Values is an instrument which will establish equal rights to land, the State notwithstanding. It will put the individual in the position to determine his own destiny and give him the power to control and direct the State, as against the opposing and retrogressive plan of permitting the State to control and direct him.

#### Joint Rights and Equal Rights

In conclusion, it appears to us that you have misinterpreted the functions and the part played by the "highest bidder" by forgetting the law of rent and overlooking the unbounded supply of natural resources. We think you have confused Single Tax with Land Nationalization. The problem you have set yourself can most easily be resolved by contrasting equal rights with joint rights, by asserting equal rights, and letting them and the law of rent conform the one with the other.

The key to the land question is the fundamental distinction between joint or common rights and equal rights. It is of paramount importance, but to discuss it would require another essay. The student should be referred to Henry George's illuminating Chapter VIII, Part III, of *THE PERPLEXED PHILOSOPHER* on the point.

A. W. M.

### RESULTS OF RECENT BY-ELECTIONS

#### Darlington (28th February)

Mr. W. E. Pease (Conservative)	.. ..	14,684
Mr. W. J. Sherwood (Labour)	.. ..	11,271

NO CHANGE.

#### East Willesden (3rd March)

Mr. W. Harcourt Johnstone (Liberal)	.. ..	14,824
Col. G. F. Stanley (Conservative)	.. ..	9,684

LIBERAL GAIN.

#### Mitcham (3rd March)

Mr. J. C. Ede (Labour)	.. ..	8,029
Sir A. Griffith Boscawen (Conservative)	.. ..	7,196
Mr. Ernest Brown (Liberal)	.. ..	3,214
Mr. J. T. Catterall (Ind. Conservative)	.. ..	2,684

LABOUR GAIN.

#### Edge Hill, Liverpool (6th March)

Mr. J. H. Hayes (Labour)	.. ..	10,300
Major Hills (Conservative)	.. ..	9,250

LABOUR GAIN.

The results in East Willesden, Mitcham and Edge Hill were serious defeats for the Government, the Conservative candidate in each case being a member of the Ministry.

Mr. W. H. Johnstone, M.P., Mr. J. C. Ede, M.P., and Mr. J. H. Hayes, M.P., all pledged themselves as supporters of the Taxation and Rating of Land Values. Similar pledges were given by the unsuccessful candidates Messrs. W. J. Sherwood and Ernest Brown.

During the course of these By-elections, volunteers distributed 50,000 of the specially prepared leaflets (published by the United Committee) on "Land and Taxation" and "The Gold Mine from which to pay Rates and Taxes." Copies of these leaflets may be had on request.

### ENGLAND CHANGING HANDS

Messrs. Knight, Frank and Rutley, the well-known firm of auctioneers and land agents, lay bare the position in a form which no one can misunderstand. Standing, as they do, as in a kind of watch-tower, in constant intercourse with landowners, land agents, farmers and estate solicitors, their impressions of the last ten years are well worth study.

Since 1907, when sales of land began to increase in a marked degree, the boom continued (except for the first two years of the war) until it reached its maximum in 1919. There is nothing to show the total acreage sold, or the amount realized, but Messrs. Knight, Frank and Rutley's own records of estates during the last decade show that in the United Kingdom they disposed of no fewer than 2,365,000 acres, and that the amount realized reached the stupendous figure of £31,231,052. During the same period the same firm disposed of 678,583 acres of agricultural land, the purchase money paid being £19,405,185. In Yorkshire alone 34,591 acres changed hands, and the price paid was £895,333. When we try to form an estimate of the considerable areas sold by other agents as well as by private contract we can get some idea of the vast areas of land that have changed owners in recent years.

Pressure of circumstances, largely economic, but partly political, have compelled owners to sell. The causes are well known. At the bottom of them were the Finance Act of 1909-10, the threat of nationalization, and the fact that many landowners were receiving a net rental of not more than 1 per cent. on the capital value of their estates. Personal and sentimental considerations apart, the results of sales to the owners have been eminently satisfactory, producing sums which, invested in trustee securities at current rates of interest, have given incomes greatly in excess of those formerly received. The same forces which have already brought about the breaking up of estates are still operating, but in a greater degree. The burden of taxation is crushing still. Farmers, whether owners or tenants, have experienced two years of rapidly falling prices; and it is feared that the slump has not yet been fully felt. The farmer's rating burdens are also more than he can bear. On their part landowners still remain apprehensive.—*Yorkshire Post*, 10th February.

Always the same old whine. The Finance Act of 1909-10—the threat of nationalization. However did our poor landlord Press manage in former times, in the days before the 1909-10 Finance Act? We seem to recollect that the burden on the poor farmer was crushing him out of existence then as now; his "rating burdens was more than he could bear." What the farmer wants most is legislation that will give him security of tenure. The taxation of the unimproved value of the land is the key to tenure, and the untaxing of improvements will do the rest. Any other remedy that still leaves him at the mercy of the men who can make England change hands in the auction room will not lift the farmer out of the rut. It will but leave him a victim to the circumstances that have forced him to the despairing position he now occupies. And as for the agricultural wage-earner, what hope is there for his salvation while the land is held out of his reach? The failure of the Small Holdings Acts to put small men on the land is before us, and yet in the face of this breakdown there are people, including some Members of Parliament, who talk glibly about the need for training men to work on the land. The most innocent-minded person would sooner back the man with a patch of ground and no training as against one with all the technical skill and no land.

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