

TAXATION: A WEAPON

By COUNCILLOR LINDSAY MARTIN

Taxation is one of the least attractive words in the English language. Even before the birth of our language taxation was unpopular. In ancient days tax collectors were known as "publicans," and it is interesting to find that in the Bible these officials are frequently coupled with other objectionable persons as "publicans and sinners." In these more enlightened days the position of tax or rate collector is comparatively respectable, but it is doubtful whether these exactions are paid more cheerfully to-day than in ruder times.

Taxation is a weapon which has long been used to oppress the people, and its effects are destructive. There are fewer dogs, for example, because dogs are taxed, and taxes on motor cars have reduced the purchase and use of motor cars. Most of us are aware of the taxes we have to pay on such every-day commodities as tea, sugar and tobacco. The Government takes 2½d. for every pound of sugar we consume, 8d. for each pound of tea, 10s. 6d. for each cwt. of raisins, and more than 6d. per ounce of tobacco. As a natural consequence many of us consume less of these things than we would like to; they are scarce and dear through taxation.

The present high cost of living is largely the result of taxes on the necessities of life, and even the entertainments of the people are curtailed in the same way. The connection between cause and effect is not always easy to see. Taxes on food and tobacco are paid in the first instance by the various traders concerned, and purchasers pay the taxes indirectly, in the price of these commodities. They also often pay a profit on such taxes, but that is the fault of the system of indirect taxation which compels traders to use their capital in paying the people's taxes in advance.

Perhaps the most mischievous of all existing taxes are the local taxes on houses, which we call rates. Their destructive effects are to be seen in appalling housing conditions in every town and village in the country. Houses are scarcer and dearer and of poorer quality than they would otherwise be because they are taxed (rated) on their rental value. Even the rates charged on mills, warehouses and shops enter into prices and are paid ultimately by the consumers of the commodities that are made, stored, and sold in those places.

Is Taxation a Necessary Evil?

But, it may be asked, is not taxation a necessary evil? Public revenue must be provided for public services, and if one thing is untaxed another must be taxed instead. The answer is that taxation is necessary, but it is only an evil when wrongly applied. The weapon that has been used through the ages to crush the people, and which to-day robs the toiler of his scanty earnings, can be used by the people in their fight for economic justice.

There is a neglected source of public revenue in the value of the land, a value which is entirely due to the presence and activities of all the people. These land values are now enjoyed by a few persons called landowners, who derive income from ground rents, royalties, way-leaves, etc., but they can be gradually transferred from private pockets into the public treasuries by means of taxes and rates on the selling value of all the land. To begin with, half of the local revenues required by the municipalities should be raised by rates on the land values in each rating area, and a small national tax on the selling value of all the land in the country would provide enough revenue to make taxes on food, tobacco and entertainments unnecessary. This is an extremely modest proposal in view of the fact that the people create all the land values, and are justly entitled to take the full annual value for public expenditure. But if we wish to get something done we must be armed with a practical and moderate policy.

The proposal to tax and rate land values is, however, more revolutionary than at first sight appears. If, for example, half of the revenue of the Manchester Corporation were provided by rates on the value of Manchester land, it would mean in most cases that the rates on working-people's houses would be reduced by about 50 per cent. and the saving to each householder would vary from about £3 to £10 a year, according to the size and rent of the house. But more important than this would be the effect of the change on building.

The destructive effects of taxation are in proportion to its amount, and if the local taxation of houses were reduced by half its effect in discouraging building would only be half as bad as at present; it would become that much easier to build at what are called "economic rents," and as the supply of houses increased the present high prices due to scarcity would fall. A rate to provide half the local revenue for Manchester I regard as a step towards the complete exemption of all buildings from rates, which will carry us a long way towards the solution of the housing problem.

As regards a national tax on land values to replace the taxes on food, the effect of such a measure would be to still further reduce the cost of living by several shillings per week. This would be a real gain to the workers, provided that the reduced cost of living was not accompanied by an equivalent reduction of wages. The weapon of taxation, as used at present, keeps wages down at the subsistence level, and every attempt yet made to regulate wages and prices ignores this important fact. But if used intelligently taxation can be made the instrument for raising wages and reducing the cost of living.

Good and Bad Taxation

Taxation is of two kinds: (1) Taxation of wealth, either in the course of production, when produced, or when in use; (2) taxation of opportunities to produce wealth—the land. The first is the present system; it lessens production by making it less profitable and by reducing purchasing power, thereby causing unemployment and depressing wages. The second method, which is the one I am advocating, would increase production and employment by making it expensive to hold opportunities for production out of use.

Consider what would happen if all the land in Manchester were rated on its selling value, whether used or not. Besides 3,000 acres not used at all, 5,000 acres are used for farming and rated accordingly, yet when land of this kind in Wilbraham Road was bought for a housing scheme, £81,500 was paid for 196 acres which had been rated on a gross valuation of only £297. If this land had been rated on its selling value before its purchase by the Corporation, the rateable value would have been very much higher than £297, and the purchase price very much lower than £81,500. Houses would have been built there and men employed long before.

The rating of all the land on its selling value would cheapen land everywhere and force it into good use, because it would no longer pay to hold land idle or put it to inferior uses while waiting for high prices. More land put to good use would result in more employment, and as employment increased—or, in other words, as competition for employment decreased—wages would begin to move upwards instead of downwards.

Land is Nature's storehouse and the source of all production; possession of a piece of land is, therefore, possession of an opportunity to produce something, and the weapon of taxation can be used to break down the barriers which prevent needy, idle men from producing the things they require. By means of the taxation and rating of land values the people can secure a measure of economic freedom which was lost when the land was enclosed and the workers became wage-slaves. This is a practical policy; it is not all that Labour demands, but it is the essential first step which will give immediate relief to the victims of social injustice and make further steps easy.