

THE TAXATION OF LAND VALUES

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MR. WM. REID

Taxation of Land Values is advocated by idealists and by politicians, and naturally the intensity of the enthusiasm varies as you pass from the one class to the other. The first class contains those people who have been led to this consideration by reading the books written by Henry George. He set himself the task of discovering why it was that want and the fear of want persisted notwithstanding advances in science, progress in the arts of production, and the universal development of education and general efficiency, which had brought in their train enormous increase in the production of those comforts which we call wealth. People starve in front of well-stored granaries; ragged and unkempt they cast long, lingering looks at well-clothed wire frames; they build mansions for other people, and live in slums themselves. When they try to solve the riddle as to how these things be, they are told by unconscious humorists that what we need is more production.

Henry George taught that the problem of production had been solved, and what remained to be solved was the problem of distribution. He held that those who owned the earth dominated the position, and could demand increasing tribute from those who have to live and work upon it. This will seem to be a partial view to readers who have their eyes on rings, trusts and other monopolies. I do not answer such reservations now, not because they have not been considered, but because of want of space.

Let me say, however, in short parenthesis, that Karl Marx attributed the unjust distribution of wealth to the expropriation of the peasant from the soil. A further historical fact is that land enclosures were enormously increased at that period which we call the Industrial Revolution. When steam power was discovered, and invention began to follow invention, the House of Lords got very busy with Enclosure Acts, making presents of the land of Great Britain to each other. Probably two-thirds of our land have been enclosed since the date when the first book on Political Economy was published in the year 1776.

An enormous amount of time and printers' ink has been consumed by writers on Economics since the days of Adam Smith. The object of these books has been to explain this distribution of wealth, but it is hopeless to expect much explanation from scholastic quarters.

If chemistry, astronomy or mathematics were concerned with vested interests, we would have no very clear pronouncements on any of these sciences; and Lord Macaulay is credited with saying that if the law of gravity had threatened any vested interest it would never have received general recognition. We can only say to the scholastics what the parson said in his prayer: "Paradoxical as it may appear unto Thee, Oh Lord, it is nevertheless perfectly clear unto us."

The people who value their reputation for sanity will probably admit that private property in land, to say the least of it, has been a great mistake. Legally, it is not contended that land can be accounted absolute property in the same sense as buildings, machinery,

or any other product of labour. Some sort of title can be shown for its possession; but as nobody made it, there can have been no valid title originally. The original possession could only be based on superior cunning or force. An old rhyme says:—

"The law condemns a man or woman
Who steals a goose from off the common;
But who could plead the man's excuse
Who stole the common from the goose?"

Historically, legally, morally and economically land-ownership stands condemned. All we need concern ourselves about is the way by which we are to emerge from the wilderness.

This brings us to the politician. He is not a very desirable person if we are to believe what the men of one party say about the men of the other parties, so I shall leave party questions alone, and deal with principles of taxation in the remaining portion of this contribution. If it be asked why we want to tax the value of the land, we can give all the usual reasons for taxation and add one or two special reasons. Having a government in need of an income, we must tax something. Prompted by such a necessity, we should impose taxation in such a way as to do least harm to any individual. We should see that what comes out of the taxpayer's pocket goes into the purse of the State. If possible, we should contrive to levy rates and taxes in a way that will not hobble enterprise or discourage industry. Striving towards an ideal, we should seek a tax that puts a fine on monopoly or idleness, and discourages both.

The taxation of land values can be shown to approach nearer to these objects than the rates and taxes which we now impose. We want land for houses, and the late Minister of Health says it can be got for £200 per acre. It cannot be got in Shettleston for that amount. Glasgow Corporation offered £55,000 for 49½ acres, but the offer was not accepted. The Parliamentary Papers, 119 of 1913 and 144 of 1914, showed that there were 2,599,470 acres of town land which were rated as agricultural land. That is to say, nearly two-thirds of the total urban area (4,105,470 acres) is held up for speculation, temporarily used for agricultural purposes and rated as such. On an average such land contributes between three and four shillings per acre to the rates. The remaining portion which has been utilized for purposes of trade, housing and manufacturing, contributes more than £376 per acre. For housing sites on such agricultural land London had recently to pay £810 per acre; Glasgow £652; Bootle £650; Darlington £670; and Edinburgh £449. These are by no means the maximum prices for these towns, but are modified charges due to inconveniences of one kind and another. It is obvious that if the rates were right, the prices are too high; and if the prices are reasonable, the proprietors had not been required to pay their fair share of the rates. It is still more obvious than an owner of building sites is encouraged to keep his land out of use if it only costs him a shilling or two per annum to wait a development of Municipal enterprise that will increase its selling price. Offer him £200, Mr. Wheatley's price, and he will look round to see if a new bridge is projected near by. He will inquire as to the prospects of the tram-cars or buses passing that way. Doubtless he will note if the street lighting is being extended, or the water mains are being continued. If any of these things are happening, why should he accept £200 per acre if by the payment of three or four shillings per annum he can wait till the expenditure of other people's money will double the value of his site? We complain, and justly complain, when we, as citizens of Glasgow, have to pay a landlord in a neighbouring county £19,000 to allow us to

draw water for the people of Glasgow, because we are charged £50 per acre for land that would be rated at 6d. per acre, but if we got that water for nothing, and effected a hundred other similar economies, it would only increase the attractiveness of Glasgow as a working and trading centre. People would be attracted by these advantages; they would come to live and trade in Glasgow, and the values of the sites would rise still further. Until we tax land values we cannot put a stop to this form of plunder.

The alternative to absorbing these values, by the process of taxation, would be to pay ransom and buy them up. Such an alternative would hardly be a cure. It would harden prices, as the owners would want to know just how much they could get for parting with the right to use the land. Taxation of land values would, in a different way, let them know what was coming to them, if they refused to part with that land to people who wished to put it to use. They would then have the same value put on their land for taxation purposes that they themselves set upon it when other people want to use it. It would not then be valued as agricultural land at £1 per acre per annum for taxation purposes, and £50 to £100 per acre per annum for building purposes. The land blockade which is hampering the solution of the housing problem would not continue such a menace under land value taxation as it does under the present methods of raising revenues.

Land monopoly hampers every legitimate enterprise; it has tolls all the way; they begin at the mines and the quarries, continue through the transport and establish themselves on a sure foundation when you lay brick to brick and build a house.

All employment is ultimately dependent on land. Shut up any portion of land, and you stop someone from getting employment. People confuse themselves (including so-called statesmen, statisticians and economists) by thinking the land question is an agricultural question.

The late Irish leader, Mr. Parnell, thought some of Ireland's troubles could be solved if she had more industries. That view overlooked, that whereas agriculture was rack-rented to the tune of £2 per acre per annum, industries could be rack-rented to the amount of £200 and more per annum; but that is only the beginning, and not the end of the story.

While idleness and monopoly are blessed with exemption from rates and taxes, industry and enterprise are fined all the way along. The person who converts a derelict piece of land into a garden has to pay on his improvement. Houses are assessed, machinery is assessed, luxuries, and even necessities are taxed.

When a man commits a crime he may be fined once; if he builds a house he is fined every year. It is not called a fine, but it acts like one.

The taxation of land values is advocated with a view to reversing such conditions. It is proposed to make mere owning and speculation in land unprofitable. This is to be accomplished by taxing unused land at the same rate as used land when the one is of equal value with the other. Under such conditions an owner could not afford to keep land idle, as he would be compelled to put it to use in order to get the money with which to pay the taxes. He could not pass the taxes on to others as manufacturers or merchants do who deal in taxed commodities. Taxes on goods can be passed on, or distributed as it is called, because the manufacturer can stop production if he fails to recover the taxes. The trader in tea or tobacco can stop their sale when he is unable to recoup himself for his outlay in taxes. What he usually gets is all the taxes back, and a profit on them as well, when he sells to the customer.

Land is not produced; its quantity is fixed, not variable like commodities; and whatever other opinions

economists may have expressed about a tax on land values, they all agree, at least, that it cannot be shifted.

Land values are not the result of individual enterprise but of communal effort. In a town land increases in value by the expenditure of the rates on roads, parks, schools, bridges, ferries, public lighting, sanitation, policing, and every other communal service. It is only simple justice to claim, on behalf of the community, funds which owe their existence to the efforts and expenditure of the community.

In that last statement I have summed up the case for the taxation of land values, and I hope I have elucidated it still further in the preceding explanations.

BOOTLE

A Word to Mr. Churchill

To Editor, LAND & LIBERTY

DEAR SIR,

About 30 years ago I wrote a series of letters to the local Press to the tax and ratepayers of Bootle, giving the growth of the town from a small seaside country village to its then notable position as the centre of great docks and railway connections, with their numerous passenger and large goods stations. There were many large works, business houses and dwelling houses on every hand in our midst. I showed that along with the steadily rising growth in great material wealth there was a steady and rising drain from the tax and ratepayers' pockets in ever increasing volume to the local exchequer.

The striking fact was also shown that those who produce all this wealth footed the bill in paying rates and taxes; the largest producer paying the most, and others in proportion. Now along with the steady growth in material wealth we had another side to the picture, and that was the sure and ever rising value of all the land on which Bootle stands. I gave clear and definite figures of what the value of land was when Bootle became first incorporated—as expressed in the ground rents charged by the landowner—who, I may say, owns practically all the land on which Bootle stands. All improvements sent up the value of his land higher and higher. He paid nothing out in the form of rates and taxes to the Bootle exchequer!

That was 30 years ago. Since that time we have had Sir Henry Campbell-Bannerman's noble and forceful but shortlived effort, owing to his death, to raise this question into great prominence with his very large Liberal majority behind him. Then Mr. Lloyd George, as Chancellor of the Exchequer in Mr. Asquith's Government, raised the question in face of the powers of the Conservative Party in the two Houses of Parliament and we were presented with a much emasculated measure as embodied in the 1909 Land Duties. The only good and clear feature of this attempt was the almost completed valuation of each separate hereditament. Then war broke out.

Will our new and heroic Chancellor of the Exchequer show his great powers, as expressed in his many clear enunciations on this most promising Land Values question, help to see justice done to all such places as Bootle—which means every city, town, village and country in Great Britain?—Yours, etc.,

G. O. L.

9th January, 1925.

By W. R. LESTER, M.A.

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