

THE LABOUR PARTY AND THE TAXATION AND RATING OF LAND VALUES

By A. Luckhurst Scott

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The advocates of the principle of land value taxation assert as a self-evident truth that *without land man cannot exist*. The food he eats, the clothes he wears, and the materials from which his habitations are built, all come from the storehouse and workshop provided by nature. In the production of wealth, land and man are the joint operating factors, one passive and the other active. If man is denied access to the only source from which wealth can be obtained, life cannot be preserved, and from this is deduced the further basic truth that all men have *equal rights* to the use of the earth. Accepting these two fundamental truths as the basis for reasoning, it naturally follows that impediments to the free access of land would not be tolerated in an equitably ordered economic state of society. But economic life as at present organized is not founded in equity, and the problem to be solved is how to remove the limitations and prohibitions that hamper and impede the free approach to the reservoir of all wealth, including in that term land, mines, fisheries, rivers, forests, etc., in fact all materials, opportunities and forces that have been freely supplied by nature and cannot be classed as being due to human exertion. At the present moment the landlord is the final arbiter, and the emancipation of land from privileged individual and class control is the object that has to be attained. But such an achievement, holding as it does within its bounds enormous opportunities for the absorption of the unemployed, would be of little avail in improving the economic life of the people so long as the ability to appropriate economic rent remains within the power of the landlord.

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JUSTICE OF THE PROPOSALS

The enormous authority and transcendent privilege now resident in the ownership of the soil enables a landlord not only to decide which areas of land shall be used, but places him in a position to exact excessive rents, limited only by the needs of the people and their ability to pay the ransom demanded. With the increase of population more land is needed and the consequent activity and demands of the community send land values soaring upwards. The landlord thus ever exerts an increasing toll upon the wealth created by the people, intercepting for his private use the benefits which advancing civilization brings, benefits which follow from the increased productive power of labour consequent upon improvements in the arts of production and exchange, and from better education and better government, in so far as they increase the power of producing wealth. The progress of civilization, therefore, is an impelling force that inevitably operates to raise the level of rents. The landlord, as owner, performs no useful activity. He produces no wealth but acts as the drone eating up the results of the industry of the other members of the hive. The wealth he consumes rightly belongs to the community, and economic rent, therefore, distinguished from the popular conception of rent, which includes improvements, should be diverted into the Exchequer. It is an equitable and desirable subject for taxation. But the rent of land is reflected in its capitalized value, and accordingly it is proposed to take the capital or selling value of the land as the basis for the valuation and the land value tax. By following this method all land having an economic value would be liable to taxation, whether occupied or held out of use in anticipation of future rise in values. The Exchequer would thus benefit by the annual collection of large sums of money to be used for the reduction or abolition of taxes which are oppressive in character and inequitable in incidence. Industry would accordingly be relieved of the heavy burdens now falling upon it, trade stimulated and unemployment alleviated. But as the tax would also be imposed on land held out of use, the owner of unused land would be compelled to meet the demands of the Exchequer or offer the land in the market to those who would make profitable use of it. There is little doubt that the pressure of the tax would be followed by the breaking up of large estates; valuable sites in large towns and cities now assessed as agricultural land and paying one-quarter rates would be offered for sale, and the consequent increase of the amount of land thrown upon the open market would result in a lowering of prices from the present monopoly level to a more economic basis. This then is the twofold object of the tax; to divert into the national coffers the wealth which rightly belongs to the people and to increase the available supply of land by the imposition of a levy which will make the holding up of land impossible.

It is not, however, proposed to tax all land, for reasons which will be given later. The tax would fall only on valuable land. It is necessary, therefore, to keep clear in our minds the difference between the taxation of land values and the taxation of land. The tax, as has been stated, would fall only on the value of land and all improvements would be exempted. This brings us to the necessity for defining in an intelligible and un-

ambiguous manner exactly what we mean by the Capital Value of land. The definition must be so drafted as to exclude all possibility of dubious interpretation; it must not cover the value of improvements, such as the value of work done or capital expended upon the land by existing or former occupiers or owners, and must only embrace the value of the opportunities which the land provides for business, trade or habitation, compared with the opportunities afforded by other land available for similar purposes. The definition which best comes within these limitations and states our intentions with precision would appear to be as follows:—

DEFINITION OF TAXABLE LAND VALUE

The Capital or selling value of the land means that amount which the fee-simple, irrespective of the improvements in or on it, might realize in the open market if sold at the time of valuation, subject to any public rights of way, use or easement, but free from any restriction or charge other than rates or taxes.

A short explanation will perhaps make the definition clearer. The term fee-simple means unconditional inheritance or absolute ownership, and the price which the fee-simple would obtain if sold in the open market is intended to assume that the transaction has taken place between a willing buyer and a willing seller. It is, of course, essential to assess the value with due regard to the restrictions imposed by public rights of way, etc., as these have a direct bearing upon the value of landed property, and their abrogation is not within the competence of the owner.

The last phrase in the definition, however, requires a little fuller explanation. A lease frequently contains a clause which prevents the lessee using the land in the way he would most desire, and the land is therefore not put to its best advantage. Such clauses, which often include stipulations as to the type of building that may be erected or the occupation that may be carried on, are of a private character, and the value must therefore be assessed as if these inhibitions did not exist. Examples of charges and burdens other than rates and taxes which would be ignored are liens, mortgages, tithes, rent of assize, chief rents, feu duties, etc., etc.

The reason for taking into account the *existing* rates and taxes (which are levied indiscriminately on land and improvements) is that we have to arrive, in the first instance, at the actual market or selling value of the land. The purchaser of a piece of land obviously gives consideration at the time of purchase to the amount of burdens falling thereon and the probable burdens when buildings are erected. But with the imposition of taxes on land values, the selling value of land will diminish because they will absorb a corresponding part of the rent of the land, and with the increase of such taxes the selling value will theoretically disappear. It will, therefore, be necessary at a later stage to adopt an assessment which represents the whole amount of the land value and not merely that portion which is left for private appropriation after taxation is paid. . . .

SHIFTING OF THE TAX

It has been said above that a tax on land values is not a tax on land. If a tax were imposed on all land at a rate per square foot, the landlord would add the amount of the tax to the rent in order to recoup himself for the demands made upon him by the State. If he were unable to do this it would be a matter of indifference to him whether the land were leased or held out of use. He would have to pay it in any event. But the tax we are discussing falls only upon land having a value, and as the assumption is that the landlord, following the

laws of competition, is getting the highest rent that it is worth anyone's while to pay, any increase in the amount by the addition of the tax would compel a lessee to relinquish his tenancy or go bankrupt. In the case of ordinary goods, the manufacturer adds the amount of the tax to the price or withdraws the supply until, the demand remaining the same, values rise and he is able to reimburse himself for the amount of the imposition. But the land values tax is designed to fall on all land having a value, and accordingly land now held out of use would be subject to the imposition. The pressure of the tax would force idle land into the market and the consequent increase in supply would cause a lowering rather than an increase of prices. A tax on land values would therefore not increase prices by checking supply, but would inevitably bring about a deflation of the present monopoly values by increasing the amount of land offered in the market. Economists differ about many things; but they agree about the impossibility of shifting a tax on economic rent. Adam Smith said a tax on ground rent "would fall altogether upon the owner of ground rent." John Stuart Mill wrote: "A tax on rent falls wholly on the landlord. There are no means by which he can shift the burden upon anyone else." Ricardo said: "A tax on rent would fall wholly on the landlord, and could not be shifted to any class of consumers." With such weighty evidence in our favour, it seems unnecessary to carry the argument further, but it should be pointed out that the virulent objections of the great land-owners to a tax of this description indicates that they have a knowledge of the working of an economic law which appears to be unknown to many people in the Labour Movement.

HENRY GEORGE'S PROGRESS AND POVERTY

It is now necessary to turn our attention to Henry George, an American author, who was unknown as a writer on economic subjects, and to discuss the part he took in initiating and popularizing the Land Values Movement as we know it to-day.

Henry George's *PROGRESS AND POVERTY* was commenced in August, 1877, the first edition being published in January, 1880, by D. Appleton & Co., New York, who had previously refused it on the ground that the possibility of sale was very small. The *LONDON TIMES* and the monthly and quarterly reviews said it was a book that could not be ignored. The newspapers of both countries published it in serial form.

In the introduction, George states that the "association of poverty with progress is the great enigma of our times," and he sets out to solve the reason for "the persistence of poverty amid advancing wealth." The book is divided into ten parts and is written in a simple and picturesque style which commands attention. The current definitions of wages and capital are first discussed and it is shown how the statements of the orthodox economists conflict and fall short of the precise meanings of the terms. He then passes to a discussion of the Malthusian theory and asserts that the doctrine that population increases at a greater rate than production does not agree with the facts. To attribute poverty to the decrease in productive power is clearly incorrect, as "want appears where productive power is greatest and the production of wealth is largest." The laws of distribution next come under review, and rent, wages, and interest are analyzed, and definitions given which correlate and harmonize. The current definition that rent depends on the margin of cultivation, *i.e.*, the no-rent land, is accepted, the natural corollary of which is that wages are also dependent on the same margin. Interest follows the same law, falling as the margin of cultivation falls and rising as it rises.

Trade Unions *can* raise wages, he admits, but not at the expense of capital or other workmen, as is erroneously believed. Increases in wages are ultimately gained at the expense of rent.

What then is the remedy that will enable Labour to obtain the full return that is due to it; that will ensure that capital in the strict economic sense of the term acquires no more than its legitimate share of the national income; that will prevent the diverting of the major benefits of material progress into the pockets of those who neither toil nor spin? The reply is to tax land values and abolish all other forms of taxation. To tax manufacturers and improvements limits production in their respective spheres, but to tax land values would be, as Henry George says in one of his works, simply "to take for the community what belongs to the community—the value that attaches to land by the growth of the community: leaving sacredly to the individual all that belongs to the individual." With the imposition of such a tax, land now held out of use would come into the market and offer opportunities for the employment of labour. The unemployed man—capital's reserve of labour—would disappear; wages would rise; and poverty and want be banished for ever. Such was the new political economy that caused a stir in the Old and New Worlds nearly fifty years ago. We now have to inquire what effect it had upon the minds of men engaged in investigating social problems in the early 'eighties of the last century.

INFLUENCE ON THE WORKING CLASS MOVEMENT

At that date, the Labour Party had not come into existence, but the Trades Union Congress was the functioning power that gave voice to the demands of the working-class movement. Yet according to the Webbs' *HISTORY OF TRADE UNIONISM*, the leaders of the 'early eighties had a political creed which it was difficult to distinguish from that of the Liberal Party. "Within a decade we find the whole Trade Union world permeated with Collectivist ideas, and, as the *TIMES* recorded as early as 1893, the Socialist Party supreme in the Trades Union Congress." In their opinion, the extensive circulation of Henry George's *PROGRESS AND POVERTY* during the years 1880-82 was the greatest single outstanding factor which moulded this new conception of social and economic life.

"The optimistic and aggressive tone of the book, in marked contrast with the complacent quietism into which the English working-class movement had sunk, and the force of the popularization of the economic Theory of Rent, sounded the dominant note alike of the "New Unionism" and of the British Socialist Movement. . . . He succeeded where previous writers had failed, in widely diffusing among all classes a vivid appreciation of the nature and the results of the landlord's appropriation of economic rent. It is, in our judgment, the spread among the town artisans of this conception of rent which has so largely transformed the economic views of the Trade Union World, and which has gone far to shift the lines of politics."

According to Edward R. Pease in *THE HISTORY OF THE FABIAN SOCIETY*, it was *PROGRESS AND POVERTY* that "gave an extraordinary impetus to the political thought of the time. . . . From Henry George I think it may be taken that the early Fabians learned to associate the new gospel with the old political method."

HENRY GEORGE'S LECTURE CAMPAIGN

In 1881, George visited England and Ireland, staying part of the time with Mr. and Mrs. Hyndmann. In 1883, he returned and undertook an extensive lecture tour in England and Scotland. Wherever he went

the torch was lighted; newspaper and weekly journals attacked him; politicians and public men endeavoured to disprove his theories from the platform; and at a lecture at Oxford, with Professor F. Max Muller in the Chair, Professor Alfred Marshall rose from the audience and criticized the arguments. But the foundation had been well and truly laid. In 1885, a report was issued by the "Royal Commission on the Housing of the Working Classes," of which Sir Charles Dilke (Chairman), H.R.H. Prince of Wales (Edward VII.) and Cardinal Manning were amongst the members, recommending the imposition of a local rate of 4 per cent upon vacant and inadequately used land, with a view to forcing land into the market and to help in relieving the general rates.

For the next fifteen years Land Reformers showed signs of great activity. In 1882 the English Land Reform Union was inaugurated, followed by the English Land Restoration League, which eventually developed into the English League for the Taxation of Land Values. In 1884, the Scottish Land Restoration League was formed, which afterwards became the Scottish Single Tax League, and later the Scottish Single Tax League for the Taxation of Land Values. During the same fifteen years there was much activity amongst the various Socialist Organizations. The Fabian Society published the famous *Essays* in 1889, several paragraphs in which contained references to the lack of sufficiency in the Georgian proposals. They had been preceded by a pamphlet written by Mr. (now Lord) Olivier in which it was stated that so much capital had become merged in the value of land that it was impossible to separate the "prairie" from the improved value, and anyway, it was just as necessary to expropriate the capitalist as the landlord. In the same year that saw the publication of the *Fabian Essays*, H. M. Hyndmann publicly debated with Henry George in the St. James's Hall, London on "The Single Tax versus Social Democracy." Clearly, Socialism was gaining in the race for popularity amongst the working classes. Other chapters of this book will tell of its development, leading to the rise of the Labour Party, but we can now proceed to examine the part that Land Values Taxation occupied in its programme.

(To be continued.)

The Joint Committee of Inquiry framed up by the Shipbuilding Employers' Federation and the Shipbuilding Trades Unions, in March, 1925, issued a Report last month. Dealing with the burden of local rates, the Report states that in representative shipbuilding establishments for the year ended June, 1925, the amount paid was more than three times as much as in the year preceding the War. Needless to say, the Committee sought no relief from a levy on the communal value of land.

NEW PAMPHLET.

WHO OWNS THE LAND?

Correspondence on Mineral Royalties between Mr. Andrew MacLaren, M.P., and the Duke of Northumberland, and Report of Mr. MacLaren's speech in the Queen's Hall, London, 16th February, 1926.

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