constituents in the Epping Division during the recent election that I was not seeking a mandate from them for the taxation of land values during the present Parliament."

That Parliament lasted until 1929, and from time to time, land taxing enthusiasts in the Labour and Liberal parties sought to draw Churchill into either avowal or repudiation of his pre-war position on the subject — always without success.

Cast into opposition in 1929, Churchill soon found himself at loggerheads with his erstwhile Conservative colleagues on the future of India. Eventually, in 1931, the National Government was formed, and as the decade advanced the voice of Winston Churchill was raised increasingly on international rather than domestic causes. What appears to have been his last public observation on land taxing came some time after the Second World War. I have sought without success to discover the reference (perhaps a reader can help me there?) but there seems to have been a Parliamentary exchange with one of the leading Labour personalities who taunted Churchill with having once sung the "Land Song". The retort was to the effect, ". . . and I shall sing it again".

So what do we make of Churchill as a land taxer?

He was firmly convinced that land value taxation was desirable, although he probably never shared the most sanguine and enthusiastic forecasts as to the benefits which would supervene from its introduction. There is no reason to think that his opinion on the matter ever changed. Yet he was a politician who believed politics to be the "art of the practical". He was willing to fight in that cause as in others, where he judged that positive results could be produced by so doing; but he was not prepared to die in the last ditch for one cause when he had a chance of living and continuing to fight in defence of some other causes in which he *also* believed.

The world needs both the idealists who willingly suffer martyrdom, and the realists who fight only where they think they have a good chance of winning. Neither group has any right to sneer at the other.

REFERENCES

1. This quotation, like others in the article, is from *Land Values*, predecessor of *Land and Liberty*.
2. See list in *Liberal Magazine*, 1904, pp 161–2.
3. *Dundee Advertiser*, 28 July, 1917.

The one tax that can't be dodged

By RICHARD STOKES

THE LAST serious political attempt to introduce land value taxation in Britain was made by Richard Stokes, who was Minister of Works in the Labour Government in 1950.

After graduating from Cambridge, he entered the Army and distinguished himself during the first world war. He was awarded the Military Cross and the French Croix de Guerre.

In 1938, he was elected to Parliament for the constituency of Ipswich. Late in the 1940s, the Labour Government set up an Inter-department committee on site value rating to examine the prospects of shifting the property tax off the value of buildings and on to land values.

Mr. Stokes served on that committee. He guessed that the rent value of land was £1,000 m – eight per cent of the national product, which was probably a severe under-estimate.

The data on which to make precise calculations, however, was not available. An attempt had been made to value all the sites of Britain when a socialist Chancellor, Philip Snowden, introduced land value taxation in his 1931 budget. But the valuation programme was suspended in keeping with a pledge on behalf of the Conservatives by Stanley Baldwin in June that year:

"I can say one thing about it, that if we get back to power, that tax will never see daylight."

It didn't. Nevertheless, Mr. Stokes campaigned for the reform of the property tax in the post-war years. Before he could achieve success, however, he died from injuries received in a car crash in August 1957. He was aged 60.

Two years earlier, the Labour Party published a pamphlet in which Mr. Stokes explained why a tax on land values fell exclusively on landowners: it could not be passed on to others. Because landowners who oppose fiscal reform still seek to cloud this issue, we publish an extract from Mr. Stokes's six-penny pamphlet, *The Rating of Site Values*.

THE QUESTION whether a tax or rate on land values can be passed on to the tenant is a question of economic principle, and this will apply whether the tax be large or small.

Many people, as soon as they grasp the idea that taxes upon labour products shift to consumers, jump to the conclusion that similarly taxes upon land values would shift to users.

But this is a mistake and the explanation is simple.

Taxes on products are added to their price, for all competing products must pay the tax added to the price of the product; but taxes and rates on land values are not added to the price of land because competing unused land will keep the price of land down.

Sometimes this point is raised as a question of shifting the tax in higher rent to the tenant, and at others as a question of shifting it to the consumers of goods in higher prices. The argument is the same.

Merchants on expensive sites cannot and do not charge higher prices for goods than their competitors do merely because they pay higher ground rents.

A country shopkeeper whose business site is worth but a few pounds, charges as much for sugar as does a city grocer whose site is worth thousands. Quality for quality and quantity for quantity goods tend to sell for about the same price everywhere.

Though land value *has no effect upon the price of goods*, it is *easier* to sell goods in some locations than in others. Therefore, though the price and the profit of each sale be the same

THE U.S. cotton industry has been turned topsy turvy by the government's payment-in-kind (PIK) programme.

Land has been withdrawn from production by farmers in return for payments-in-kind from government stocks.

Growers liked the idea of receiving cotton without having to work their land, so they rushed to join the programme.

By June, the Department of Agriculture found that it was running short by 700,000 bales of cotton to meet its PIK obligations.

So on June 17, a Plant-for-PIK programme was announced. Farmers were promised inducements in return for cotton which the Dept. of Agriculture could pay to idle cotton growers.

● On June 20, market analysts confirmed that the reduction in cotton-producing acreage had helped to push up the price of cotton.

in good locations and in poorer ones, aggregate receipts and aggregate profits are much greater at the good location. And it is out of this *aggregate,* and not out of each profit, that rent is paid.

For example: a shoe store on a main thoroughfare supplies certain quality shoes at 50s. On a side street the same quality of shoes can be bought no more cheaply. Yet ground rent on the main thoroughfare is very high compared with the ground rent on the side street.

How, then, can the first dealer – he who pays the high ground rent – afford to sell shoes as good as those of his neighbour in the low-priced location for the same price? Simply because he is able to make many more sales in a given time so that his aggregate profit is greater. This is due to the advantage of his location. And for that advantage he pays what amounts to a premium in higher ground rent. But the premium is not charged to customers; *the dealer of the side streets protects them by his competition.*

This higher ground rent represents the greater ease or, if you like, the lower cost of doing a given volume of business upon the site for which the premium is paid; and if the State should take any of it, even the whole of it, in taxation, the loss would be finally borne by the owner of the advantage which attaches to the site – in other words by the landlord.

Any attempt to shift the site rate on to the tenant or buyer would be promptly checked – people would go off and shop in the side streets instead of in the main thoroughfares and the shops in the main thoroughfares would have to close down.

Or put it another way.

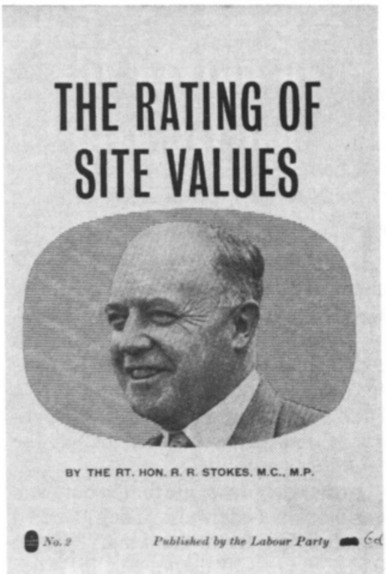
A tax on tea and tobacco, though it may be paid to the Custom and Excise in the first place by the importer, is eventually recovered by him in the price which he charges the retailer who in turn passes it on to the consumer. So the question is constantly asked: "Won't the landlord do the same if he has to pay a site value tax?"

In the first place, a tax on land value is a tax on land rent alone. It is a tax on the value or price the land can command in the open market. It must be remembered that land which has no *market value* is not necessarily useless land. It is only useless to the man who tries to get something out of it without working it himself. Land which will give a return sufficient only to compensate labour and give a bare return to capital can have little or no *market value* – no one would buy or pay rent for this land.

There is quite a lot of land which falls into this category – it is known as marginal land.* As no rent or selling price can be got for this land – there would obviously be no land tax to pay. No rent, no tax.

NOW LET us look at the better land (urban as well as agricultural).

Here we see that with a similar expenditure of effort the returns are greater and when measured against the marginal production, the *difference* in productive capacity shows itself in rent.



Mark that this difference in production exists even if no payment is made between one man and another. The advantage the owner of the better land (user or not) has over the marginal land owner is 'economic rent' – and it is this difference that it is proposed to tax.

It will be seen, therefore, that the tax – while levied at a uniform *rate* – will vary in amount according to the variation in the values of the different plots. This is the key to understanding why a tax on rent cannot be passed on to the consumer or tenant.

So we know from experience that a tax on commodities can and is passed on to the consumer. Very well. Now suppose a tailor's shop and half its stock destroyed by fire in the night. Could the proprietors double the price of the remaining suits to recoup their loss?

The answer obviously is 'no'.

Likewise, a jeweller who tries to pass on his gambling debts to his customers by charging higher prices for his jewellery would soon lose his customers to his competitors. It is competition which levels prices and prevents sellers from juggling with prices.

But when a commodity tax is levied *it falls on all shopkeepers equally.* All competitors are in the same boat. None has an advantage in respect of the tax, therefore it can be passed on to the customer without fear of being threatened by competition. The jeweller knows that he can pass his jewellery tax on because, unlike his gambling debts, all his fellow traders are affected by the tax in the same way.

Now look again at the land value tax. Is it a tax which falls on all traders equally? Certainly not.

While the grocer or tobacconist in Bond Street pays the same excise tax per lb. of tea or tobacco as his competitor in the village store, he would pay a *very different* land value tax. The Bond Street retailer (assuming he were the landowner) would have to pay the full land value tax but would not dare to attempt to raise his prices.

If all those liable to pay the tax were to attempt to pass it on to the customers, we would have the fantastic picture of goods of the same value *selling at different prices!* according to the varying amounts of land value taxes levied.

If the landowner in Bond Street were a separate person from the retailer, he would not dare to raise his rent or else his tenant would leave – because the tenant could not raise his prices and would not stand the loss himself.

The land value rate or tax is like a handicap in a race. It levels up the different advantages, and as one runner cannot shift his handicap on to another, so the landowner cannot shift his land value tax to the tenant or consumer.

It is this difference between valuable sites and marginal sites that it is proposed to tax.

*Marginal land is that land, which, after using the optimum application of labour and capital, yields a return only sufficient to cover labour earning and capital return at the prevailing rates – leaving nothing that can be secured as rent for the land.

Sub Marginal land is land which will not yield sufficient to pay the current rate of wages and the current rate of interest.