

ROTARIANS LEARN TAXATION IS LOPSIDED

Mr Louis Wallis at the London Rotary Club

ON 10th AUGUST Mr Louis Wallis, of New York, visiting this country, was entertained by the London Rotary Club at luncheon in the Holborn Restaurant, and addressed the Members on "Our Lopsided Taxation." The *London Rotarian*, 13th August, carried a full report. It was a repeat visit, Mr Wallis having addressed the Club in 1924 at the Hotel Cecil on "A Square Deal in Business," and members were glad to meet and hear him again.

Mr Wallis said: Our system of industry is complicated with methods of taxation which are slowly poisoning the sources of economic life. We have a lopsided, unbalanced fiscal power by which productive business of all kinds is overburdened with heavy and increasing taxes while at the same time a lower scale of assessment upon the unearned value of both improved and vacant land has the effect of giving a subsidy to speculation. In other words, the state, acting through its power to tax, puts a penalty upon production and a premium upon speculation.

Everybody knows that when a given piece of land is brought into use for any productive purpose, the aggregate property is taxed on a far higher scale of assessment than when the same piece of land is held vacant. But most people are so busy trying to make a living in this complex and uncertain world that very few of us have the time or the opportunity to follow these well-known facts into their economic results.

The significance of lopsided taxation, however, is not found merely in its appalling distinction between productive industry and the speculative holding of unearned land values which are due to the presence of the community; because the lighter tax resting upon the aggregate land of any given country has the inevitable effect of conferring upon land an artificial market price which, along with its rise in value through increase of population, makes it a burdensome and growing liability upon all productive business.

It was found in Sydney, Australia, that when municipal taxation was transferred from buildings to land values, both improved and vacant, the real estate sub-dividers had to offer much larger pieces of land in order to attract home builders. In other words, the price of land was reduced by heavier taxation. On the contrary, when buildings are taxed more heavily in proportion than land values (which is the case in most countries), the builder not only has to carry heavy taxes on his building; but at the same time, since the ground itself is taxed more lightly, he also has to pay a higher and more burdensome price for land.

Every country has large amounts of unused space in and about its towns and cities and also in the rural districts. But almost everywhere, lopsided taxation makes it necessary to pay a high rental or purchase price for land; while at the same time, the business installed upon the location is immediately burdened with a huge load of taxes. The result is to hinder the productive use of capital, and thus to blockade the nation's business development, hold back the employment of labour, and keep down the purchasing power of the general public.

The English common law declares that every man has equal rights to justice. But this promising maxim of jurisprudence is contravened by statute law which penalizes productive industry while putting a premium on land speculation and upon the unearned rental value of the ground.

The political and economic problem now facing Britain and modern civilization is as great and critical as the issue which led to the downfall of the Stuart dynasty and the revolution of 1688.

The taxing power of Parliament was controlled in the middle ages by the landed aristocracy who owned the legislature and constantly put heavier and heavier taxes on commerce and industry, symbolized by the wool-sack in the House of Lords.

Parliamentary democracy as we have it to-day is the result of a long, painful struggle between the ground landlords and the rising business class. The masses of the people have gradually won the right to vote; but this right has been secured only by a compromise which has relieved land values from proper taxation while putting the tax burden mainly upon productive industry in such a way as to reach the pockets of the middle and labouring classes with deadly effectiveness.

The issue which is coming into the foreground is non-partisan. It is not the tenet of any one political party, Conservative, Liberal or Labour. The veto power of the House of Lords over taxation has been cancelled by constitutional amendment. Two hundred and thirteen municipal councils throughout England, Scotland and Wales have recently memorialized Parliament for a statute which will open the way toward re-organization of the fiscal power so as to shift the tax burden from industry and agriculture onto the ground rental value of both improved and vacant land. Britain to-day is on the verge of a new chapter in history.

Mr Jim Marshall (the *London Rotarian* says: "Our income tax expert, Jim Marshall, at once rose and opened.") moved the vote of thanks in these striking words:

"When I saw in the *London Rotarian* a few weeks ago that you were going to speak on 'Lopsided Taxation,' I thought that as a Collector of Taxes I was the most suitable person to propose the Vote of Thanks. I also thought, without knowing what Mr Wallis was going to say, that all taxation must be lopsided unless it was founded on taxation of land value. So you see I happen to agree with what we have heard this morning.

"I remember many years ago when Mr Henry George visited this country I went to hear him speak. I did that forty years ago and ever since I have agreed with the principle, which is known in America as 'Single Tax,' and I think it is most essential that business men should consider this principle.

"It is amazing to me that you business men should allow the value of land to increase and go into private pockets. It appals me as an almost indescribable fatuity." (Loud laughter.)

On 3rd August Mr Wallis addressed the Liverpool Rotarians on the same subject and was well reported both in the *Echo* and the *Daily Post*.

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