obtained for the land, irrespective of the improvements thereon, if it were leased or feued in the open market by the owner of the fee-simple at the time of valuation either for a term of 999 years or in perpetuity, assuming that there were no contractual restrictions on the use or transfer of it, and that all rates and taxes on the land-value were payable by the receiver of the rent or feu-duty."

These conditions of tenure would gradually become usual if the land-value tax were made a first charge on the property, and if it were allocated and collected as already suggested in LAND & LIBERTY. Thus the actual working of the tax along these lines would facilitate the transition from capital to annual land-value, if and when this transition appears desirable. In the meantime, however, the taxation of land-values should be begun on the simple basis of capital land-value, which has stood the test of experience elsewhere.

THE MAKING OF THE VALUATIONS

The valuations ought to be made on behalf of the national authorities. This course would be necessary for a national tax, and it is also desirable for local rating, because it would secure the valuations being made by competent valuers, free from local influences, and would also secure a proper proportioning between the valuations of different localities, which would be useful for various purposes and would facilitate the just apportionment of the Parliamentary Grants in Aid of Local Taxation. The valuations should be revised either annually or quinquennially. They should be made under the direction of the Government Land Valuation Department, which has been making the valuations under Part I. of the Finance (1909-10) Act, 1910, and is in possession of the information obtained under the provisions of that Act.

GENERAL PLAN OF THE LAND-VALUE TAX

The Land-value Tax should be a new and self-contained tax, distinct from all other taxes on landed property. There should, however, be a provision that where a person had paid the whole or any portion of the Land-value Tax on a property for the year, he should be entitled to deduct the amount so paid from any payment that he might otherwise have to make in respect of that property for that year under Schedule A of the Income Tax—the Schedule that applies the Income Tax (of which the standard rate is now 6s. in the £) to what may be described as the annual rent obtained or obtainable for the property if let for a year in its present condition.

The Land-value Tax, being payable on the basis of the selling value of the land, whether the land were being used or not, would prevent the withholding of land from use, and would impel those who are holding land without using it either to use it themselves or to pass it on to others, thus breaking land monopoly and making more land available for use, at rents and prices based on the natural amount of land instead of on an artificial scarcity. The proposed co-ordination with the Income Tax under Schedule A would prevent land-value being taxed under that Schedule as well as under the Land-value Tax, and would also to some extent relieve improvements from the taxation imposed on them by that Schedule; and it would effect these results without disturbing the fabric of the Income Tax.

The Land-value Tax should be introduced as an annual tax of not less than 6d. in the £ on the capital land-value of each property, which would be equivalent to an annual tax of 10s. in the £ on 5 per cent. of the capital land-value. Questions of how it might afterwards be developed, whether it might be substituted completely for Income Tax under Schedules A and B and also for the House Tax (strictly so called), and how to co-ordinate the national taxation and the local rating of land-values, may be considered at a later stage. The first step should be to inaugurate a national land-value tax on simple lines, and to get the machinery working.

DEPRECIATION—THE NEW TAX.

A Compulsory Funding Loan.

By COLONEL WEDGWOOD, D.S.O., M.P.,

in the WESTMINSTER GAZETTE, October 28th

"We are heading straight for bankruptcy."—Any Daily Paper, any time.

Nations do not go bankrupt—at least, so far as their own people are concerned. If they owe money abroad, then, indeed, they may suspend payment, but at home, never. It is easy to say that we " are going bankrupt " ; it would be more useful to understand what is really happening. If a private individual spends more than his income, a moment comes when the bailiffs are put in ; but if a private individual could print money and make people take it, he would never see the bailiff. We owe comparatively little money for which our foreign creditors do not hold security in their own coinage ; we shall never see the bailiffs, or even the American fleet coming over to collect their interest.

In reality the English State is just following in the footsteps of Henry VIII., and depreciating the coinage. One can make in these days a very interesting study of comparative bankruptcy, of comparative depreciation. Wandeting through all the countries of the world, from Bolshevik Russia or Hungary at the one end of the scale to Japan at the other, we see all grades of the process. One watches the exchange.

A little time ago a British General came back hot-foot from Denikin in the new Russia. He told us that Denikin could collect no taxes, and had not the full use of a printing press. That was the last straw. He had come back to buy a printing press—and paper—if he could raise the money. One understands these things so much better in the East. The old-fashioned taxes, direct and indirect, are out of date. To depreciate the coinage and raise prices all round is so simple. It is the easiest way of plucking the goose, and it gets wages down beautifully. It does not hurt the capitalist, unless, indeed, he has been fool enough to put his money into trustee stocks or Preference shares ; wages go down, and the nominal prices of his shares rise and rise. You cannot talk about depreciation of real capital nowadays ; we shall have to show appreciation in our balance sheets. It does not hurt the landlord ; the real value of his land depends on the population, and the lower their wages the larger his surplus. Only countries that are short-sighted enough to starve away or kill off their population are likely to see land go out of demand for house and food. No, the new form of taxation gets right down on to the wage-earners. During the war the wage-earners had a monopoly ; they could get rises to meet the new tax. Only the unfortunate widow and orphan with a trustee income got squeezed out. But now it will be much more difficult to keep up nominal wages, and real wages will go on falling. Unless the Labour Party understands this there will be trouble.

If our State income is £600,000,000 and our State expenditure is £1,200,000,000, the balance is made up by printing paper money. Of course, it is largely camouflaged as "funded debt" or "floating loans"; it is not all Bradburys; but the effect is the same. Now, if in any two years goods produced remain constant, but the paper money (or, to be more exact, State-created credit) totals twice as much in the second year as in the first, then the normal price of everything produced will double (except that the wages of labour will have gone down owing to their slow reaction to rising prices). People do not yet seem to realise that if we make both ends meet, prices will remain just where they are; only if we pay off debt (as we used to do) can prices fall. The railwaymen were really very premature, for there is no prospect of a fall in prices.

The first thing, therefore, that people have got to do who want to prevent this new insidious attack on the workers is to *make* the Government make both ends meet. It is idle of Mr. George to talk about increased production. With the perpetual unrest that rising prices and falling wages must cause we shall never get more production. Land is dearer than ever, and productive work depends upon labour getting access to the raw materials of the land. The answer every time to these frothy lectures must be: "Make both ends meet before you talk to us."

Then even now, and without waiting for balanced accounts, something might be done to check the depreciation of the currency. The paper with which they dope us and fill the gap is of three sorts: debt which the State need not repay for a long time, called "funded debt"; debt which the State has to repay every six months, either in Bradburys or in fresh short-date loans at a rising rate of interest, called "Treasury Bills"; and, thirdly, the Bradbury of commerce, known technically as "Treasury Notes."

The first sort of paper is not so vicious. The constant depreciation of the nation's money is suffered by the holder of the scrip, not by the State—till, indeed, that terrible date 1947 comes round, and the State pays off the debt in depreciated coinage, but has to raise it again. The Funding Loan failed because investors are getting a little shy of securities bearing a fixed rate of interest. They do sag so; and you never see that on the Oil market, or in good solid real estate.

It is the second sort of paper, the Treasury Bills, that are marked down as the cause of the trouble. The bankers complain that the Government is creating unlimited credit, flooding the Stock Exchange, keeping money cheap, and sending up prices of every Deferred share on the market. You must have credit to gamble on, and Government gives it with both hands. The Government does not want to, of course. The banks really do the flooding. They hold the Treasury Bills, and when they mature they either squeeze the Government or change the Bill into Bradburys. The State promised the bankers to redeem their Bills, and therefore they go on printing Bradburys harder and harder to keep their promise.

The Bradburys issued to date have a backing of 9 per cent. gold. That will be reduced, of course, as the floating debt grows. The Bankers' Commission reported that the best thing to do was to buy gold at any price till the reserve was 10 per cent., and to keep it at that. The State was to spend more to improve their security. It would in no way effect the depreciation of the currency, or check the creation of unlimited credit. The other way (and there is another way) is to fund the floating debt, that is to make it repayable fifty years or so on. It is a good idea; those who lend will suffer any further depreciation. Unlimited credit will cease and trade and manufacture find its normal level. Only, depreciation has gone so far already that the State would have to pay a fine big rate of interest if it were to try and raise those thousand millions voluntarily; and what a slump there would be in all other securities with fixed interest!

But there is one way, a way, I fear, that the bankers have not explored as thoroughly as they might have done. And that is the way of a compulsory Funding Loan. A general compulsory loan has to face enormous difficulties—all the difficulties that there are in the way of a tax on capital: each man's share has to be worked out. But the compulsory funding of the Treasury Bills would at least require less machinery. What other way is there?

However, let us again recognise that changing one sort of paper into another may save the State some money, reduce false credit, and check speculation. But that is all it can do. The constant depreciation, the constant rise in prices is bound to go on, after a short halt, till some sensible Government in this country reduces expenditure and pays its way.

The protection of the masses has in all times been the pretence of tyranny—the plea of monarchy, of aristocracy, of special privilege of every kind. The slave owners justified slavery as protecting the slaves. British misrule in Ireland is upheld on the ground that it is for the protection of the Irish. But, whether under a monarchy or under a republic, is there an instance in the history of the world in which the "protection" of the labouring masses has not meant their oppression? The protection that those who have got the law-making power into their hands have given to labour, has at best always been the protection that man gives to cattle—he protects them that he may use and eat them.—*Henry George in Protection or Free Trade, p.* 23.