

Land Values: Why and How They Should Be Taxed

By Josiah C. Wedgwood, M.P.

DEDICATION.

VERY LITTLE IN THE FOLLOWING PAMPHLET IS ORIGINAL. IT IS MOSTLY A RESTATEMENT OF OLD ARGUMENTS AND OLD ILLUSTRATIONS, AND I HEREBY DEDICATE IT, WITH THANKS AND APOLOGIES, TO ALL THOSE FROM WHOM I HAVE CONSCIOUSLY AND UNCONSCIOUSLY PLAGIARISED.

LAND VALUES WHY AND HOW THEY SHOULD BE TAXED.

There was a Sultan in Egypt, and he taxed the People. For each fig-tree he took payment of ten dinars. So it came to Pass that the People cut down their fig-trees. Then another Sultan arose, and he took the tax off fig-trees, and taxed instead the soil from which all good things grow. And behold the People planted fig-trees with diligence, and the land flourished exceedingly, taxation. If taxation were apportioned to capacity for producing, and not according to actual production, it would obviously stimulate production. Our aim should be to encourage human effort by setting free improvements.

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THIS parable puts in a simple form the whole case for land taxation. If taxation were apportioned to capacity for producing, and not according to actual production, it would obviously stimulate production. Our aim should be to encourage human effort by setting free improvements.

CHAPTER I. HOW LAND IS A MONOPOLY.

I shall begin by a paradox and say, that taxation of land values is the wrong name for the right thing. Taxing things usually makes them dearer. No one wants to make land dearer. We want to make it cheaper and to grow more fig-trees.

Tax wheat, and bread becomes dearer — the eater, the consumer, pays the tax. Tax boots, and boots will cost more — the wearer, the consumer, pays the tax. Tax capital, as they do in Poplar by high rates, and capital becomes dearer (especially as it can flow elsewhere), and the worker who borrows it pays the tax in a higher rate of interest. Therefore the natural inference is that if land were taxed land would become dearer.

Yet it is not so because land is a monopoly. A monopoly means the ownership of the sole power to make and supply, or to hold and withhold any sort of thing. A monopoly gets in any case the utmost it can out of the consumer. It is *already* getting *all* that the consumer, or user, can pay. Whether you tax it or not it would obtain a price fixed only by the demand. Raise the tax, it can get no more. Reduce the tax, and it will take no less. The rule which holds good elsewhere does not apply to monopolies.

To put it from another point of view: — The taxation of all things made by man, of all goods produced by labour, tends to diminish production. Man did not make the land. It is not produced — it is there, and no amount of taxation can affect its production.

The private ownership of land of a particular kind, in a particular place, is a monopoly. The private ownership of coal of a particular sort and accessibility is a monopoly. The sole right to sell drink in a certain neighbourhood is a monopoly. There can only be one tram line in a street. There can hardly be two rival systems of water supply, or light, or power, in a town. All these are monopolies.

Roads, canals, and railways are more or less monopolies, partly because of their position, partly because of the Act of Parliament, and also partly for the same reason that great aggregations of capital are monopolies. Those great trusts or rings are monopolies because they can crush out rivals (especially in protected countries, where foreign competitors do not count). They can crush out rivals by withholding their own profits. They alone, in each trade, have the power to forego the interest on, say, a million of money, in order to reap a richer harvest thereafter. They alone have the power to lose for a time, and yet survive in the end.

The growing opinion — to my mind the obvious and right opinion — is that monopolies, at least those conferred by the community, should be owned by the community; or (what comes to the same thing), that the State should take in taxation the net annual value of a monopoly, or (what comes to nearly the same

thing), that the State in some cases should fix the price at which the community is to be served. For whether the State benefits in its exchequer, or by increased prosperity in the community, is immaterial.*

* Trams, for instance, maybe owned and worked by a municipality, or the privilege of owning and working them may be leased by public tender for short periods. Or a company might be allowed to own the trams subject to the right of the municipality to fix the fares to be charged. The first method might, the second would, mean a contribution to the rates. The first method might, and the third method would, mean a contribution to the pocket of the community in cheaper fares. This illustrates the three methods.

Which of the three ways you choose will depend partly on your tastes—how far you are individualist, and how far collectivist—and partly on the nature of a monopoly. The second method is the most economical, perhaps, in dealing with the land monopoly.

There is a school of thinkers, notable among whom is Mr. Chiozza Money, M. P., who would widen the scope of this term “monopoly” to embrace all capital. They say that so long as a house, or a machine, or a hundred pounds belongs to one man, that man has a monopoly; that till the community own all these things there will always be private monopolies; and that one monopoly is as bad as another. They maintain that a freeholder owning £100 worth of land is no worse, and extracts no more from the community, than a bricklayer with £100 in the Savings Bank.

They seem in this to be confusing private monopoly with private ownership. Something can also be said against private ownership, but the difference between the two is vital. One possession can be made and duplicated, the other cannot.

Because the £100 in the Savings Bank can be duplicated by anybody (including the State), therefore the interest the bricklayer gets on his £100 is determined by the law of supply and demand — by the number of people who care to make 100 or £100 worth to lend or to use, and the demand by industry for the use of this capital.

But because no more land can be made — no more land in that position, and no more land in the aggregate — therefore the rent that the owner takes from the community is not regulated by the law of supply and demand, but by the law of rent alone. The demand may increase continually, but nothing can increase the supply of land such as his.

Capital is fluid and flows to any part of the world, land is a fixture. One is of approximately equal value throughout the world, the other varies in value from point to point. These are differences of degree important enough when we contemplate taxation and the incidence of such taxation, but the vital distinction

between what is and what is not a monopoly, and the price either can extract from the community depends on the possibility of manufacture and duplication.

The possession of the sole power to supply, or withhold, even a portion of land of a particular kind and position, and which is therefore limited and cannot be duplicated indefinitely, constitutes a monopoly. The annual value of that monopoly is the “rent” a tenant is willing to pay to use that particular piece of land, while he might use another piece of land, cheaper or rent free.

Rent cannot be forced up indefinitely, as it could if land of all kinds and all positions were in the hands of one monopolist. Rent depends solely on the demand for the peculiar object of monopoly, and that demand is limited in the case of land by the possible use of free land or cheaper land elsewhere. The advantage of the peculiar position or condition determines demand and fixes rent. The owner gets all he can. He can get no more while there is the alternative of a different kind of land in other people’s hands to go to. Therefore, if you tax land value, you do not increase rent, because that is impossible. You merely take some of that rent for State purposes.

If, on the other hand, you tax private capital, either the owner goes elsewhere until industry will pay him the extra rate of interest, or else less capital is accumulated until its scarcity makes the price remunerative again.

“Taxation of Land Values” is a misleading name. It will mean, and we understand it to mean, “the State appropriation of monopoly rent.” We want *gradually* to divert to the public pocket some of this constantly growing stream of monopoly rent at present going into private pockets. We want to divert it not just because it is constantly growing: we should want to divert it even if it were decreasing. For increasing or decreasing it is still monopoly rent. It is still a tax extracted from the community and unlike other taxes giving back to the community no value for their money. It must be diverted very gradually, for we have to consider the credit and security of mortgages and other fixed charges on land. No benefit from the alteration of our present system of taxation would counterbalance a sudden shock to our financial credit.

CHAPTER II. THE VALUE OF THE LAND MONOPOLY IS GIVEN BY THE STATE.

Those monopoly values, which are due to the State, ought above all others to be diverted to the public pocket, and if we look into this land question we shall see *that the unimproved value of land everywhere is an exact measure of the benefits conferred on it by the State.* By the State, we mean not only the English Government, but the English people, and English trade and our English ancestors — our soldiers and sailors, our municipal councillors, our inventors, our workers, and our savings. Why is land in such a town as Hanley worth more and more highly rented than land on the High Peak? Because it is nearer to 100,000 people, because the railway-station is close at hand, and the trams run down the street; because men work in the mines and factories, and spend their money near their work. But land even on the High Peak is worth something, and even that little something has been given by the community. The Army and Navy keep us safe from invasion, and so give value to the High Peak lands. The sheep on it are not stolen because of our laws and police. The railway-station may be a long way off, but State roads lead to it, and when the sheep are on the railway there are millions waiting to eat them and pay the breeder. Take away those factors — take away the community and the benefits — and land values on the High Peak would be even as land values now are in Babylon.

The man who owns this land need do nothing. He could let someone else use it and receive a rent which he owes to the community.

As the community increases and improves, so rent increases. Rent in time silently absorbs all improvements and economies. Let me give a few examples to show the way in which good government and progress translates itself at present into increased rent.

Mr. Lief Jones, speaking in the House of Commons on 26th April, 1906, quoted figures to show that in the total abstinence areas in New Zealand the value of land has risen abnormally. We may well match with this the action of the late Duke of Argyll's agent, who tried to suppress the sale of whiskey on one of his Grace's islands on the express ground that the crofters would thereby be better enabled to pay their rents.

Mr. Pember Reeves, Agent-General for New Zealand, in his account of the progressive legislation in New Zealand ("State Experiments in Australia and New Zealand") shows the following results: — Between 1896 and 1901 the number of workers in factories had increased by 52 percent; the wages paid had increased by 5 percent for men and 8 percent for women; the value of buildings, machinery and plant had increased by 32 percent; and the value of land increased by 61 percent. Thus legislation, of which the chief object was to raise the conditions of labour, has resulted in conferring ten times as great benefits on the New Zealand

landlords.

Later figures from New Zealand bear out the same story. The following are taken from the Official Year Book of 1906: ---

Year	Population (white and black)	Land Value	Land value per head of population
1897	762,000	£84,401,000	£111
1902	840,000	£94,848,000	£113
1904	884,000	£112,629,000	£127
1905	915,000	£122,937,000	£134
1906	936,309	£137,168,000	£146

Not only has the land value increased, but it has increased far more rapidly than the population, just because the people can do more useful work than was previously possible and can pay more for the privilege of doing it in New Zealand. And this has come about in spite of the fact that nearly half the local authorities in New Zealand raise their rates entirely from land values, and so secure a good share of this increasing value for the community. The advantages arising from Compulsory Arbitration in Trades Disputes, from Old Age Pensions, and from the invention of Cold Storage for New Zealand mutton has in a wonderfully short space of time translated itself into increased land value.

Or consider what Lord Goschen has said about the effect of increases of wages. On 14th April, 1899, Mr. Goschen, replying to a deputation from the Deptford Victualling Yard, said:— “If the position of the labourers at Woolwich and at Deptford was as described, it was rather due to sweating landlords than to the rate of wages. The wages had been raised 20 percent in the last 10 years, and the house rents 50 percent. It was constantly the case in those districts that the increase of wages only led to a larger sum going into the pockets of the landlords.”

Some people will remember the time when a toll of 1/2d. was extracted from everyone crossing Waterloo Bridge. A considerable number of workmen employed in the Strand and at Covent Garden Market lived in small houses on the south bank just west of the Bridge. It cost each of them just 6d. a week to get to their work. The Rev. A. W. Jephson, Vicar of the Parish, has stated that when in 1878 the toll was abolished (at a cost of nearly half-a-million to the London rates) the rents of these small houses were raised--just 6d. a week. The whole of the saving to this community was translated into higher rent.

The State and the municipality are not, however, the only benefactors of the landlords in well-meant efforts to benefit the people. Take the case of exceptional charity. A member of the University Settlement at Southwark reported in 1896 to the *Echo* as follows: —“About £350 a year, roughly speaking, is given away in

doles of bread in connection with Christ Church, Southwark. As a consequence the competition for small houses, but more particularly for single rooms in tenement houses, in this parish is so great that the rents are considerably higher than in neighbouring districts. And yet the clergy go on contentedly putting £350 a year into the pockets of the owners of this kind of property and call it charity.”

Our Railway Companies are not generally considered as charitable agencies, but from the Great Eastern Railway we obtain another example of this charitable action towards landlords.

On Diamond Jubilee Day (1897) the Great Eastern Railway established an all-night service of trains to Walthamstow, thus enabling journalists and many who begin work early to live out of London. The first observed results were (I quote the *Echo*) “rents are being put up everywhere in Walthamstow.”

As long ago as 1868 Professor Thorold Rogers put the case strongly enough: --- “Every permanent improvement of the soil, every railway and road, every bettering of the general condition of society, every facility given for production, *raises rent*. The landowner inherits the fruits of present industry, and has appropriated the lion’s share of accumulated intelligence.”

It is cases like these which demonstrate how necessary it is that the land question should be dealt with and should precede all other social and fiscal reforms. Without that, the model structure of society is based upon sand. Every attempted amendment of the condition of the people loses, and must continue to lose, a great proportion of its anticipated effect.

Of course, in saying that landlords reap all the benefit of legislative and communal improvements, it is not meant that each individual landlord profits.

The benefit conferred by the Community is very unequally distributed. To some landlords the benefit from the community is even less than their contributions to it. It is notorious that in England agricultural land has gone down in value, thus making the old fixed land tax and tithes and the present rates peculiarly inequitable. My assertion is that landlords as a whole get larger rents as the community grows. This is true of England as a whole. It is also true of agricultural land as a whole throughout the world. Canada, Egypt, the Argentine, India and the United States show a rise in the rents of agricultural land which dwarfs out of all comparison the peculiar losses which the British rural landlord has suffered since transport became cheap.

It must be borne in mind that it is only the *unimproved* value of land which is an exact measure of State benefit. The *improved* value of land, coming from unexhausted improvements on it (such as farm-buildings, drainage, manure, timber, fencing, shafts, borings, and machinery) is due to the individual. If taxation of the *unimproved* value were substituted for the present taxation on this

improved value, it would not only restore very justly to the community that which the community has given, but it would also set free and encourage improvements, and thus increase the annual produce of the land.

CHAPTER III.
MONOPOLIES ARE A TAX ON INDUSTRY THAT SHOULD BE
DIVERTED INTO THE TREASURY TO REPLACE OTHER TAXES.

The two previous chapters show that land of a particular sort and position is a monopoly, and a monopoly whose value is involuntarily given by the State.

What is the object of taxing, or appropriating for public purposes, this or any other monopoly? Why should this sudden onslaught be made on landlords? It is possible, one might say, that the old landlords have had an unfair advantage; but so have men who inherited fortunes in Consols, and, moreover, many landlords have only bought recently. Why should they be singled out for attack? Why should we demand that the monopoly-owner --- the ground landlord — should pay more than other people? Why, in a word, do we wish the State to absorb all monopoly rents, and become the only monopolist? The object of Government is to do the best for its citizens. To do this, it must raise money to pay for Army and Navy, education, police, and all communal charges. It must appropriate private money. It must appropriate wealth. In the end, it can only take wealth from those who produce it — from the workers. All taxes fall on industry — and so do all monopoly rents.

For there are private taxes which fall on industry as well as these public taxes. All monopoly rents — land, royalty, liquor, railway, trust — are also taxes on industry. They all raise the cost of a thing to the consumer. Private rent, like public taxes, must take wealth from those who produce it by leaving the worker a smaller proportion of the whole cost of what he makes and has to buy. Thus, industry is burdened with a double taxation — public and private.

Part of the price of everything that is made goes to the State in public taxes; part goes to private persons as monopoly rent, part goes as interest on the use of capital, and the remainder to the worker. Of course, so long as one piece of land is more valuable for use than another monopoly rent must be paid by the user. It is a perfectly just and equitable tax, but it ought to go to the State as the tax, and not be, as now, a private tax going to private persons, in addition to other public taxes.

The way to improve trade is, to make things cheaper, not dearer. The ideal of the political economist is that goods should be made as cheaply as possible, and that as large a proportion as possible of the price paid by the purchaser, having regard to the communal claims, should, go to the worker. That a man should do as much as possible in his life, and get the full value of his work.

The rate of interest that has to be paid for the use of capital is fixed by world-wide considerations of credit and self-restraint, and in England varies inversely with the price of Consols.* It is only by sound finance that we can gradually reduce the

capitalist's share—by paying off our debts, State and municipal, and creating communal assets.

*The rate of interest demanded and obtained for the use of capital increases with the taxation of capital, such as income-tax and rates. So that all these taxes are paid not by the owner of the capital, but by the user—that is, by the worker who employs capital. He pays these taxes in having to pay a higher rate of interest on the capital he uses. For capital is not confined to any particular town or country, but can be lent or invested anywhere. If we want to use it in England we must pay the price it asks; and that depends on how much this town 'or country takes in rates and taxes compared with what another town or country would take. But why should both public and private taxes swallow what might be the workers' share in the value of the article? There must be one tax; but why two? One of these taxes needs to be done away with, so that goods may become cheaper and the workers' share larger.

The profits of labour should, for the general good of the community, be the reward of work and not the reward of idleness, both, for ethical reasons which have no place here, and in order that more work may be done. Moreover, it also happens incidentally that the genuine producer is not only supporting the owner of monopoly rent. These monopolists, in so far as they are wealthy people, employ other workers who only serve their own pleasures and are therefore, so far as the community is concerned, unproductive (the busy makers or purveyors of useless luxuries); and, these ministers of luxury, who depend on the rich man, the genuine producer has also to bear upon his shoulders. Anything that would reduce the number not only of the actually idle but of those doers of useless work who serve them would therefore benefit the genuine producers by lessening their burden, and by increasing the number of these latter would also enrich the community.

One of the objects, then, in taxing these monopolies is to reduce our present taxes; to substitute one tax for two, and so improve trade. There is no sentimental animus against a monopoly owner. The one object is to make goods, cheaper, and the worker's reward for his work more complete. We should aim at substituting *the single tax on land values, mineral rights, and other permanent monopolies*, or other taxes and burdens on industry.

Moreover, under this system, the full value of every improvement in town or country --- street widenings, new railways, new sewers, the removal of tolls, the provision of electric power, or improved economies in manufacture, improved trade, and increased population — would find its way immediately to the community. The citizens would always and directly reap the full advantage of their efforts and of every increase in land value.

CHAPTER IV. SPECIAL EFFECT ON SPECULATION AND TRADE.

There is another reason for taxing monopoly values. So far, we have only thought of abolishing the *double* burden, and this is the ultimate end of such taxation. But the mere first imposition of the tax on monopolies, even if our present “fig-tree” taxation were not correspondingly reduced, would actually benefit industry. It would break the monopoly. Suppose J. P. Morgan controlled the wheat supply, and held up all available wheat in his granaries until we were willing to pay the price he asked. If we taxed wheat which he held up and did not use, we should by that tax force him to sell at a lower price and benefit industry.

Suppose Rothschild buried all his capital in the world — machinery and raw material — in his back garden, or suppose he stopped all use of his capital everywhere, like the Russian strikers. Suppose he *held up* a great part of the world's capital, and was content to go without his interest. Then if we taxed his hoarded wealth, whether he used it or not, he would be forced to use it; to employ or lend out that hoarded wealth. The rate of interest on capital would fall and benefit industry.

Suppose Alderman Smith, of Leicester, controlled the boot trade — had bought and held up all boots made and to be made. If we taxed the boots held up, Alderman Smith would be forced to sell, and the price of boots would fall and benefit industry.

At present we only tax wealth that is used — that is, we only tax industry (which uses capital). We want particularly to tax the wealth that is *not* used, that is *wanted* by industry, and then we shall actually benefit industry by this step.

In so far as land round towns, or sporting land, or unworked minerals and quarries, are held up, they are in exactly the same position as the cornered unused wheat and boots and capital. Taxation will force them into the open market, and will directly benefit industry, which depends on the use, not the withholding, of these necessities.

The fact is, there are certain resources — certain wealth, which might be capital used for creating more wealth — which are at present *unproductive*, which would benefit the country if they became *productive*. We claim that the taxation of such unproductive wealth would, in fact, penalise unproductive wealth, and force it to become productive, thereby increasing the supply and reducing the rent of land and minerals, which are the raw material of all industry.

The unproductive wealth consists mainly of the land of the country — in so far as it is not used for the best purposes—and of all minerals still below ground. These are hoarded or idle wealth, and as such have a directly harmful effect on the

nation's prosperity. The damage done by holding up land and minerals may be exactly compared with the damage and loss due to a great strike. Thousands are turned out of work, capital lies idle, and prices rise disastrously. The manufacturer who locks out his hands, the trade unions which go on strike, are just like the ground landlord—speculating on the ultimate issue of the conflict to the immediate loss of the community. This seems, incidentally, to be a good enough reason, apart altogether from philanthropy, why communities should insist on compulsory arbitration in industrial warfare, as well as in international warfare.

The men who own the land round a growing town, land which is wanted for houses and factories, and who, instead of putting that land to the best possible use, withhold it and let it for grazing at agricultural rates until their fancy price is reached, these men are strangling the prosperity of the town and country—they are economically bad citizens. It happens, besides, that they are condemning thousands to be born and bred in slums; but that is a different part of the question, the housing or social side, and I am trying to deal with this question from the purely financial standpoint.

I think that previous writers have not sufficiently insisted on the two distinct benefits that would arise from the taxation of monopolies:

- (1) The indirect aid to industry which follows from the abolition of double taxation—private rents and public taxes—and from the substitution of a single public tax—State resumption of rent.
- (2) The direct aid to industry, in that it would hinder individuals from speculating in and holding up the natural resources, and thus keeping them unproductive.

CHAPTER V. LAND AND THE UNEMPLOYED.

No apology is required for developing the question of speculative holding up of land and minerals, for its bad effect on industry is of even more importance than the double taxation of industry by public taxes and private rents which I first considered.

It is not only that national wealth and resources are withheld from use; but, more than anything else, this land speculation causes those great fluctuations of trade that affect the world and cause such widespread misery. Rent and the value of land not only rise, but they rise unsteadily in waves.

In times of good trade, rents rise; the value of land rises; people are attracted into land speculations, and refuse to sell or allow their land to be used, except at a large increase. There is a rise of rent which has *no economic justification*. If a piece of land lies idle, all other land round about becomes dearer. In any case, the user pays a fancy price, often, also, one economically unsound. Hence, the cost of all we want and use rises, and we buy less, fewer wants are gratified, fewer things made; there is a “slump” in business, and owing to the precariousness of the speculations credit collapses. The rise in rent acts exactly like a large and sudden increase in taxation. It ruins trade.

Then for a time trade is bad; rents may fall slightly, the value of land may even go down a little; but gradually as more inventions and economies in manufacture are introduced, as population and workers increase in numbers and efficiency, trade and industry become able to pay the increased rent, and yet produce cheaply. Then good trade comes again, until the cream is again liberally skimmed off by the only person concerned who can raise his price — the monopoly owner.

Taxes rise gradually; the condition of the worker and his wages rise gradually; interest on capital falls gradually; but the other factor, monopoly rents, rises in tidal waves, which shatter the stability of trade.

The unemployed difficulty is largely due to the instability of trade. A man hangs on through bad times to the trade in which he was employed in good times. When employment is good and high wages can be earned, many are trained in the booming trade; but the bigger the boom and the higher the maximum of employment in it, the more hands there are who must be thrown out of work in times of minimum employment. Times of great prosperity and of great depression are equally disastrous in the end to workmen who require constant employment. It is the height of the wave from crest to trough which measures the economic disaster.

To take one example: Mr. John Burns, the President of the Local Government

Board, tells us that the building trade, which is notoriously susceptible to fluctuations of employment, is the one now suffering most from want of employment. We hear vague talk of this depression being due to over-building, but while England is full of out-of-date factories and-rotting slums, over-building cannot really exist. Buildings, thanks to the present system of taxation, are bad, inaccessible, or clear, but not over numerous.

“The truth is that the fluctuations in the building trade are due to sudden gluts or scarcities of land in the market, and these are due chiefly to the speculations to which a monopoly gives rise. If land could be brought within some regular system of supply, so as to be accessible on more or less foreseen terms when wanted, we should have buildings raised, not according to the "bulls" and "bears" of speculators, but according to the natural demand due to increase of trade and increase of population. These factors being more or less constant and increasing, accessibility of land would involve not only regular, but on the whole constantly increasing, employment for the building trade. This regular system of supply, is just what would result from basing rates entirely on land value.

The Official Report of the Commissioner of Taxes in New Zealand (Blue Book, cd. 3191, p. 26) on the results of basing entirely on land values the small rates they have to pay in that Colony is as follows “The effect on urban and suburban lands has been very marked. It has compelled owners of these to build, or sell to those who would; it has thus caused a great impetus to the building trade.”

But while this good settlement of the land question in towns would do much to steady trade, a like treatment in the country would further simplify the unemployed difficulty. Agricultural land ought to be a sort of reservoir of labour, whence labour could, as at present, issue in prosperous times to easier and better paid work in the towns, and also a reservoir to which it could again return as an alternative to accepting a fall in wages.

Mr. Keir Hardie, M. P., aptly pointed out in a speech in Huntingdon, that what enabled the Kaffirs on the Rand to withstand the reduction of pay after the war was not a strong union nor legislative effort, but the possibility of alternative work on the land to which they have free access.

We cannot now make access to the land perfectly free, nor is the use of the land so simple here as in South Africa, but we can, at any rate, by a changed incidence of taxation, persuade the private landlord to welcome close cultivation and that kind of improvement for which this irregular labour is specially fitted, and at the same time diminish his autocratic power over this one of the vital elements.

CHAPTER VI. THE URGENCY FOR LEGISLATION.

Previous chapters have given two reasons for the State appropriation of economic rent. To put a stop to the double burden on industry; and to check the withholding for speculation of the natural resources which the community require. There is a third reason for legislation and it is one that brings the immediate urgency of this question prominently forward.

No permanent improvement can be made in the condition of the people so long as the benefits are apt to translate themselves into an increase of *private* rent. State appropriation of rent must precede all real reform. This is the necessary preliminary to all the other most important reforms now before the country, and one on which their highest success depends. Other legislation is increasingly wasted until this reform is effected.

Take for instance the prominent question of Housing Reform. It is no doubt true that better housing would be secured by better regulation, more thorough inspection and condemnation, and by State subvention. But as good and cheap food was only got by taking off the tax on food, so good and cheap houses can only be got by taking off the tax on houses. The suggestion that the State should lend money cheap to build houses for agricultural labourers seems particularly to be in the direct interests of private landlords; It will improve the value of their lands. Every fresh house in a country district increases the unimproved value of land. The population will be greater and the labour market will be greater. And if the houses are cheaper, the agricultural labourer will naturally take lower wages, and enable the farmer to pay higher rents. Till we can secure that the value of the land thus improved by the community shall return to the community this Bill is nothing better than a subvention of private landlords. It is specially objectionable because it does for the benefit of thriftless landlords what good landlords already do for themselves.

Old Age Pensions will take aged people out of the workhouses, and may, as philanthropists hope, people the country villages and pleasant suburbs with happy pensioners. This is no doubt excellent, but the immediate result will be, as in the case of the Great Eastern Railway night service to Walthamstow, that the demand of these old people for house room will raise rents all round.

The new Feeding of School Children Act will so assist the widow and the "casual" that they will be better able either to pay their rent, or to accept lower wages so that the sweated trades will flourish and lead to increased overcrowding. Mrs. Marchant Williams made a special investigation in the Clerkenwell Necessitous Area and found that 46 percent of the inhabitants paid away between 25 percent and 50 percent of their weekly wages in rent. They will be able to pay more in future. Here again the State money, raised from the workers and from

industry, will largely work through into the pockets of the landlords. Whereas if the rates were based on land value the leakage would at least revert to the community in the increased valuation of land value.

No one can be a stronger advocate of Temperance Legislation than the writer, and of the moral advantages of increased abstinence and temperance even the landlords cannot deprive us. But the economic results are likely to be a failure. Suppose it were possible to prevent the people of England wasting £170,000,000 a year on alcoholic drink. Suppose this money were not wasted and were spent instead in useful trade — on boots and clothes and books and travel. For a time no doubt trade would boom; for a time certainly the country would be very prosperous. But as it became prosperous rents would rise and in ten years' time the lion's share of that £170,000,000 saving would have transferred itself to the private landlord. We want that increased value for the community.

Beside these reforms, which are not generally associated with the land, there is the question of the compulsory purchase of land for public purposes, and also for the better provision of Housing and Small Holdings, particularly in rural areas. Both the select Committee on Housing and the Departmental Committee on Small Holdings in their recent reports have advocated the compulsory purchase of land. The Select Committee on Housing, as befitted an entirely representative and parliamentary body, expressly asked that the compulsory purchase price should be based on the official valuation of land value. But it is obvious that if compulsory purchase for these objects is to be extensively resorted to, and is not to burden the experiments with an exorbitant charge for sinking fund and interest the first step advocated below — the valuation of the unimproved land values — must *precede* these reforms.

CHAPTER VII. PRACTICAL POLITICS.

Obviously, the first practical step is to get a general valuation of the unimproved land values throughout the kingdom, both for urban and rural areas. This has been recognised by the Select Committee of the Taxation of Land Values (Scotland) Bill in their Report of December, 1906: --- “It seems to your Committee to be absolutely essential before the new standard [rating entirely on land values] of which they approve is adopted that a valuation of the value of land be made.” These new valuation lists can then be used for both local and imperial taxation.

The unimproved land values once ascertained, power can be given to all local authorities to raise their rates by progressive gradation, or at once, on these new valuations, instead of on the old land plus building valuation. The same persons could pay the rates, but the rates would be based on a different valuation. The buildings and machinery and improvements on the property would be disregarded — the site value alone would count. The better the house, the better the manufactory you put up, the more you benefited a town or a village by investing your capital in it, the more would be your reward. Your rates would remain the same, whether you used the land for a factory or a pigstye.

The Select Committee on the Taxation of Land Values (Scotland) Bill (1906) deliberately adopt this change in the basis of rating. “Your Committee,” they say, “consider that the new standard of rating, based upon the value of land apart from buildings and improvements upon it, *is sound and would prove advantageous*; that to set it up by estimating the value of land apart from buildings is practicable; that so far as both occupiers and owners are concerned, the new standard of rating should be *substituted* for the present standard.”

In advocating this change in the basis of rating, they explain the results they anticipate as follows:--- “Owners of valuable land — either unoccupied or occupied by buildings unsuitable to the site — will pay more; owners of highly utilised land will pay less; and owners of land put to an ordinary average use will pay the same proportions as at present. The indirect effect of the adoption of the new standard will be to stimulate building and improvements, to bring more building land into the market, to lower rents and to diminish overcrowding.”

This scheme which concerns local government, will make little difference, perhaps, in rural areas, but in urban areas the change will be fundamental.

As concerns imperial taxation, a general tax of about a penny in the pound should be, at the same time, imposed on all unimproved land values in town and country alike. It should be paid by the owner of the highest title to the land; but in order to avoid “breaking contract” the owner should be empowered to recover (during the currency of existing leases) from the lowest sub-tenant or leaseholder who may

have actually covenanted to pay all the taxes. This would mean, at present, that, the tax would be paid by the seven, fourteen, twenty-one or ninety-nine years' leaseholder. Whatever the drawbacks to this temporary arrangement, there is no doubt that the ultimate incidence and the ultimate reversion of all such taxation must be on the man who enjoys the communally given rent.

The revenue so provided could then pay for the education and highway rates, which are at present a local burden; both of these rates would be better charged on the Imperial Exchequer, and both press at present with undue severity on the agricultural industry. This relief would do away with the necessity of grants in aid unless it were thought desirable to retain some of these grants as rewards of merit rather than as subventions. The grants in aid have been an expensive anomaly, and were only resorted to because our present basis of taxation and discrimination between rich and poor districts is unsatisfactory.

Until the unimproved values of land have been assessed it is almost impossible to estimate even approximately the amount which such a tax of a penny in the pound would bring into the Exchequer. Rough approximations, based on Income Tax returns, and on the ratio of the values of land and buildings in New York and in New Zealand, seem to suggest that the capital value of unimproved land, minerals, coals, tithes, &c., in the United Kingdom would amount to five thousand million pounds (£5,000,000,000), or £116 per head of population. (In New York it was £153 per head in 1903, and in New Zealand £146 per head in 1906.) This, if correct, would yield something over £20,000,000 from such a tax. But, if we only receive £15,000,000, that would pay for those education and highway rates which are now charged locally, and do away with the necessity for grants in aid.

There is no finality in the penny land-value tax; it can be further increased to replace the present land tax, the inhabited house duty and the income tax under schedule A. In due course the tax can be raised still further, right up to the shilling in the pound, which is the whole annual value of the monopoly; but this must be done slowly, because land at present is often mortgaged, or pledged, or otherwise charged, and has become the basis of our credit system, so that any sudden disturbance would be dangerous. Therefore, the full annual unimproved values ought not to be diverted to the Exchequer until the *untaxed improvements* have had time to grow and outweigh them. Perhaps, fifty years would complete the change.

OBJECTIONS TO THE LAND VALUE Tax—Four objections are raised to taxation on these lines: —

- (1) That the tax would fall on the occupier and not on the owner.
- (2) The difficulty arriving at the unimproved value.
- (3) That it would lead to overcrowding and destroy open spaces.
- (4) That it would involve unfair confiscation.

1. It is often argued that any tax on land values would fall on the tenant, because the landlord would raise the rent. No doubt this would be the case if the rent were governed by the caprice of the landlord (or if land could be manufactured indefinitely); but rent is governed, as pointed out before, solely by the law of rent.

Professor Marshall says in his evidence before the Royal Commission on Local Taxation: "A tax on that part of the annual value of land which arises from its position, its extension, and its yearly income, of sunlight, heat, rain, and air, cannot settle anywhere except on the landlord."*

*See also Mill, Principles of Political Economy, Book II. ch. 5, sec. 1. Even if, as suggested above, the tenant occupier himself pays the rate in the first instance, still the landlord will pay in the end.

As the Minority Report of the same, Royal Commission declared: "The real incidence of a rate depends mainly on the nature of the property in respect of which it is levied, and is but little affected in the long run by being primarily charged on this or that person. The real ultimate incidence of a site-value rate would be upon the owners of site-values in any case, even if it were simply charged on occupiers as the present rates are. Accordingly we regard the question of the party on whom the rate is to be charged as a question of sentiment and temporary convenience."**

**The incidence of the land-value rate may be demonstrated thus. And the demonstration may also be useful in clearing up frequent misconceptions as to the incidence of the present complex rate of which the part proportionate to the value of the land already falls on the landlord, the other part sticking with the tenant.

To prove that of the rates that part which is proportionate to land value fall upon the landlord. Suppose an area in which rates are 10s. in the £, and a willing tenant of a building worth £300. He has this choice before him: either he may pay the owner of a property £16 a year, being 4 percent on £300 plus 4 percent on land worth, say, £100; or he may buy a piece of land for £50 instead of £100, and spend £300 on the building which will cost him 4 percent on £350, *i. e.*, £14 a year. The second site, however, does not suit him so well as the first. Its disadvantage as compared with the first is accurately measured by the difference in value between the sites, *i. e.*, £50 capital or £2 a year.

But now consider the rates as well. If he take the first house he will have to pay not £16 only but £8 rates also. If he take the second he will have to pay £14. and rates £7. The difference in the yearly cost to this tenant is no longer £2 (which was justified to him by the comparative value of the sites) but £3. The first site is worth £2 more than the second. It is not worth £3 more; and therefore these 10s. rates are inducing the tenant to take a cheaper site by a bonus of £1 a year — unless the first landlord will drop his price by that same amount. In other words, this rate reduces the annual value of the first site in comparison with the second

by £1 per year. In other words, £1 out of the £8 rates on the first property falls on the landlord where these two particular sites are open for choice.

Now if we put this first property in competition, not only with land worth £50, but also with land on the margin of cultivation — with land worth nothing, the inducement to the tenant to accept the cheapest site will be not £1 but £2. In other words, £2 of the £8 rate falls on the landlord. This £2 is the proportion of the rate which was due solely to the land, being 10s. in the £ on £100. The landlord does not feel the competition so far as the rival buildings are concerned. The rate, so far as the equally costly buildings are concerned, is the same. He does feel it so far as the land is concerned. It reduces the advantages he previously possessed in comparison with cheaper sites, and it reduces it by exactly the amount of the rate levied on the respective land values.

In country districts, of course, the landlord's mere caprice may affect rent; but generally, and in the long run, any tax on the unimproved value of land must fall on the landlord's rent. The incidence is only more obvious in the town; when the lease of a Regent Street shop falls in, the landlord gets already the biggest rent he can for the new lease. That he has to pass a portion of the rent he receives on to the State affects him and the State, but it can in no way affect the merchant who is taking a lease of the premises in competition with other sites.

2. The answer to the second objection — the difficulty of valuing land apart from improvements — is that in New York, Germany, New Zealand and Australia, it has been done with the greatest case. After the new system was adopted in Cologne, the appeals against assessment fell in one year from 21,292 to 2,703. The owner should always have, as an ultimate appeal against an excessive valuation, the right to demand that his property should be taken over at the valuation.

3. Any system which facilitates the acquisition of land for buildings must also facilitate the acquisition of land by public authorities for open spaces. Overcrowding and sky-scrapers must be prevented by hygienic bye-laws properly enforced. The regulation of the area of back-yards and gardens and of the width of roads and height of buildings, such building plans for town extension as prevail in Germany and are dear to the heart of Mr. T. C. Horsfall, these and all similar restrictive ordinances would merely acquire additional importance.

As bearing on this point, it is interesting to note that the Report of the Select Committee (before quoted) says: "In making the valuation, regard must be paid to every restriction validly imposed on the ground and legally binding at the date of valuation." These restrictions, of course, reduce the value of the land restricted.

It might be possible, as I believe is done in New Zealand, to exempt certain

gardens in towns from excessive taxation, and preserve them permanently as lungs by allowing the rate of tax to stand over, arrears being demanded if ever the owner decided to build.

4. That the proposed change in taxation involves unfair confiscation can be disproved by showing what would be its actual effect on urban and rural landlords.

Take the urban landlord first. There is, for instance, a celebrated freehold potworks in the Borough of Hanley. This factory has recently been re-valued for assessment purposes at about £1,000 per annum, and the unimproved value of the land was one-third of the total value. Rates in Hanley are ten shillings in the pound, so these potters pay about £500 per year. The unimproved value of the land in *all* Hanley happens to be about one-third of the total rateable value, so that if these rates were based on the land value' alone, and the same sum total had to be raised, rates would stand, not at ten shillings in the pound, but at thirty shillings in the pound. To ask a landlord to pay thirty shillings in the pound to the Municipality (beside State taxes on same land) does sound like confiscation. Yet, though their land would be more than nationalised, these potters would obviously be better off, because, while they would pay just the same £500 a year, yet any improvements they chose to make in their factory would go rate free. Hanley and England would be better off, because these potters and many others might then invest their profits in improving their business, instead of drawing out the last penny from the borough to invest elsewhere. At present any capital they invest in their business is taxed 50 percent, and, consequently, they buy shares instead in something like the Pennsylvania Railroad.

This factory is an old one; a modern up-to-date factory would find itself paying less under the new system. The only sufferers would be those urban landlords who might, but do not, put their land to the best possible use. The cry of confiscation could only be raised by these, and even they could always escape like the rest and "get level" with the community by turning their land to good account.

In connection with the rural landlord a cry of confiscation is equally unwarranted. In the first place the unimproved value of a quarter of the agricultural land of Great Britain and Ireland would probably be almost negligible. Only where railways or main roads or the proximity of a town creates a demand for houses and small holdings, or where there are minerals beneath the surface unworked, would the value of the improvements fall so far short of the full value as to leave any very considerable unimproved value.

A landlord who has improved his property — who has invested his capital so as to get the most from the land — would find his present burden reduced. For the

small freeholder some of our statesmen fancy a special exemption would have to be provided, but he is just the one who would probably benefit most (as has proved to be the case in New Zealand). Only those would suffer who starve their property, or who withhold it from use as Lord Penrhyn withheld his slate quarries.

At present all improvements, all "fig trees," are taxed, and, therefore, few improvements are made, manufactories get out of date, slums fall into ever worse repair, houses stand empty, agricultural land is starved — all because the tax is on improvements. If a man puts up a new pot oven in his works he is taxed more; if a railway company puts up a new goods shed it is taxed more. If a ground landlord pulls down his slums and puts up decent houses he is taxed more. A market-gardener puts in heating into his greenhouse and he is taxed more. A landlord drains a marsh and makes it worth £2 an acre and he is taxed more. A 50 percent tax on improvements is imposed in Hanley, and they do not get the improvements. Soon the people will start cutting down their "fig-trees" as they have begun to do in Poplar and in Essex, and then perhaps Henry George will come by his own.