



THE
OWNERSHIP, TENURE
AND
TAXATION OF LAND

SOME
FACTS, FALLACIES AND PROPOSALS
RELATING THERETO

BY
THE RIGHT HONBLE.
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PREFACE

IT is not pretended that this book is a work of original research. It is rather a bringing together of such statistical and historical information as is available, and a discussion of it, and of the economic, fiscal, and ethical principles and problems which bear upon the distinct and limited subjects—the ownership, tenure, and taxation of land—with which the volume is concerned.

This information and the discussion of these principles are at present scattered over a very wide area of books, papers, and reports. They are so intermingled with, and often practically buried in, masses of figures, records, and detailed information, and in dissertations on principles ranging over a far wider field, that, except to students and specialists, they are comparatively little known.

My object has been to present these facts and principles as they arrange themselves in my mind, together with a statement of what appear to me to be the proper conclusions to be drawn from them. I have stated the position from the point of view of one who claims to be an average man who has had a fairly wide experience of men and things in private and public affairs and business, and who has devoted a considerable amount of time to an endeavour to ascertain the facts and arrive at sound conclusions with regard to the subject here considered.

This has been done in the scattered intervals which have been snatched from a very fully occupied life, and no one is more conscious than I am of the imperfections which must result from those conditions. The temptation to carry the investigation further and collect more particulars has been great, but I have remembered Hallam's remark that "an author who waits till all requisite materials are

accumulated to his hands is but watching the stream that will run on for ever."

My aim has been not so much to propound schemes of reform by suggesting remedies and formulating definite proposals (although I have done both) as to clear the way and prepare the ground for that necessary and desirable work by ascertaining and stating the historical and existing facts with which we have to deal, and enunciating the fundamental principles of economics and ethics by which we ought to be, and, if success is to attend our efforts, must be, guided and governed. This involves the clearing away of a dense and tangled mass of error and misconception in which prejudice and lack of knowledge have enveloped the whole subject. Until that has been done, accurate diagnosis of the problems which confront us and the formulation of useful and wise solutions of them are alike impossible.

Students and specialists may say that much of the historical chapters is elementary. So it is ; but the vast majority of those for whom I have written—politicians and the general public—either have never known it, or have forgotten it, or have acquired misconceptions with regard to it. As, in addition to this, very inaccurate and misleading statements are being strenuously promulgated in order to influence the judgment of the ordinary citizen with regard to proposals concerning the ownership, tenure, and taxation of land, it has seemed to me to be desirable that the fundamental historical facts which bear on those proposals should be summarised and clearly re-stated.

The mere counter-statement by me of these facts and the conclusions to be drawn from them would carry no more weight than the assertions which I dispute, if my contentions were not supported by references to those who are accepted as standard authorities to-day. I have, therefore, freely used and am largely indebted to the work of others. I have quoted much, because, not only are the facts and arguments stated more forcibly and clearly than I could hope to put them, but I wish the statement of them to carry the full weight of the authority which lies behind it.

I am specially indebted to the works of Professor F. W. Maitland,

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Sir F. Pollock, Professor P. Vinogradoff, Professor W. J. Ashley, Dr. E. A. Freeman, Bishop Stubbs, Mr. J. R. Green, Mr. Thorold Rogers, Professor E. C. K. Gonner, Mr. R. H. Tawney, Mr. Justice Scrutton, Professor E. R. A. Seligman, Professor Henry Sidgwick, Professor E. Cannan, Mr. F. A. Walker, Professor Alfred Marshall, Professor A. L. Bowley, Mr. Stephen Dowell, the late Duke of Argyll, Professor T. H. Huxley, Mr. Arnold Toynbee, M. Fustel de Coulanges, Mr. F. Seebohm, Sir Henry Maine, Mr. J. H. Round, Professor D. G. Ritchie, and Sir Robert Giffen.

In the great majority of cases the references are given, but in order to avoid burdening the pages with footnotes to an extent which might appear pedantic, I have occasionally summarised without special reference the statement by others of views which I desired to express. I must ask them to accept this acknowledgment of my indebtedness in those instances.

January 1914.

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INTRODUCTION

“Land reform covers a menagerie of aims and programmes.”—J. WEDGWOOD, M.P.

LAND and Taxation are never-failing subjects of great public interest in all civilised communities. The problems which are connected with them come home to us all very closely in the affairs of our everyday life. Land is necessary for our existence. “Man is a land animal.” The conditions under which access can be had to land and a foothold maintained upon it are consequently of the greatest importance and of unflinching interest. Taxation is a burden which is practically universal and ever present. It is almost always resented and is usually avoided whenever and wherever possible. In this country for more than eight centuries, as in the ancient world long centuries before that, the laws and customs concerning land and taxation have been burning questions of public controversy. They remain to-day amongst the most pressing and difficult of the problems with which our statesmen are faced and upon which the general public feel most keenly. Land Law Reform and the Reform and Readjustment of Taxation, local and national, are shibboleths which find a place in the programmes of all political parties. The discussions of centuries and the experience of all civilised nations have failed to bring unanimity, or even an approach to general agreement with regard to them. Few subjects, theology excepted, seem to lend themselves so readily and completely to honest misconception and misrepresentation.

At the present time the complicated and difficult problems which centre round land and taxation, and particularly round that exceptionally thorny combination of the two, the taxation of land, are subjects of the keenest political controversy. For fifty years the question has been pressed upon the attention of Parliament, and every Government of both of the great political parties has promised to grapple with it thoroughly and effectively; but none

of them has done so. Royal Commissions, Select Committees, Departmental Committees, Private Committees, have inquired and reported. Organisations of various kinds have carried on a more or less vigorous propaganda, in connection with which agitators and political quacks in all parties have advocated almost every method of dealing with land and taxation which the ingenuity of man could devise. There are few subjects about which more prejudice and less accurate knowledge prevail. If the problems involved are to be at all satisfactorily dealt with, a little clear thinking on some elementary phases of the history, economics, and ethics of the subject is very necessary. It is well that we should from time to time clear our minds and verify the principles on which our opinions are based by examining the fundamental facts which do really govern the condition of mankind.

Henry George and his Proposals

Some thirty years ago new life was infused into, and a new turn given to the old and ineffective propaganda which had long been carried on in this country in favour of the nationalisation of the land, and to the later and far more reasonable and practical proposal for securing for the community the future unearned increase in the value of land, with which Mr. J. S. Mill was prominently identified, by the publication here of Mr. Henry George's book entitled *Progress and Poverty*.

Mr. George was a remarkable man, and he wrote an extremely able book which had and still has a marked effect on public opinion. The most diverse opinions were and are held about him and his book. To his followers he is a hero, a prophet, a genius, a saviour of mankind, who discovered and preached a new evangel. To many of his opponents he is a conceited demagogue, preaching iniquity in the form of pillage and plunder which he invites the populace to undertake in the name of justice and religion.¹

¹ Mr. Joseph Fels regards his book as "The Bible of the World."

Lord Bramwell said: "It is a foolish book, for although Mr. George is anything but a foolish man, his ingenuity is so perverse that his book is filled with foolishness. It is the most arrogant, self-sufficient performance ever seen."

W. H. Mallock says: "His errors, as he puts them, are diffused over so many paragraphs, adorned with so much excited rhetoric, and intermixed with so much excited reasoning, that their true character may escape the ordinary reader; but let them only be put into a brief and comprehensible form, and to any sane man they will sound like the ravings of a lunatic."

Professor F. A. Walker speaks of Henry George's proposals as "this precious piece of villainy," and as being "steeped in infamy."

In the House of Commons on February 27, 1891, Mr. Gladstone said: "There

Henry George's contention is that the great social evil of our time is the private ownership of land, and that, so long as that continues, there cannot be any hope of improving the condition of the masses of the people. He asserts that where there is most material progress, and production and commerce are most highly developed, there is the deepest poverty, the sharpest struggle for existence, and the most enforced idleness. Increased production does not lighten the burden of the toilers, it only widens the gulf between rich and poor. The tramp comes with the locomotive, and almshouses and prisons are as surely the marks of material progress as are costly dwellings, rich warehouses, and magnificent churches. He contends that the reason is that the return to labour and capital can never be more than can be obtained upon the poorest land in use, and that the owner of land can always claim as rent all the produce in excess of what the poorest land in use would yield. All progress and increased production increases the demand for land and forces down the margin of cultivation. This increases rent and lowers wages and interest, with the result that the rich tend to become very much richer, the poor to become more helpless, and the middle class to be swept away.

This is all due to the private ownership of land. To command the land is to command all the fruits of labour save enough to enable labour to exist. Nothing short of making land common property can permanently check the tendency of wages to the starvation point. Reduced taxes, education, free trade, and increased efficiency do not increase wages or interest; they only raise rent.

Private property in land is contrary to the law of Nature; it is unjust and indefensible, and must always lead to the enslavement of the labouring classes. All men have a natural right to free access to and free use of the gratuitous offering of Nature. The equal right of all men to the use of land is as clear as their equal right to breathe the air—it is a right proclaimed by the fact of their existence. It is a natural and inalienable right; it is one of the primary conceptions of mankind. No power on earth can or even could rightfully make a grant of exclusive ownership in land. If

are persons who view the proposals of Mr. George as proposals of a very enlightened character, and who very much resent the use of hard words respecting him. I shall carefully eschew hard words; but I will say that, so far as my examination or knowledge of his proposals goes, I find it extremely difficult, and, indeed, for myself altogether impossible, to exclude them or extricate them from the category of those plans to which hard words no doubt are commonly applied."

all existing men agreed to grant away their equal rights, they could not grant away the rights of those who follow them.

The idea that private property in land is necessary to society is artificial and baseless, a comparatively modern growth, the offspring of ignorance. Individual ownership of land has nowhere been freely adopted. Historically, it is robbery. Nowhere can it be traced to thoughts of justice or expediency. It has everywhere had its birth in war and conquest and selfish cunning, and has only prevailed as the result of a long course of usurpation, tyranny, and fraud.

The idea of private property in land took many generations to make its way among our ancestors, and did not reach full recognition here until the time of Charles II. The abolition of the military tenures at that time was simply an appropriation of public revenues by feudal land-owners, who got rid of the consideration on which they held the common property of the nation, and saddled it on the people at large by taxation.

This is Henry George's teaching, and he says that the remedy that will right the wrong is that we must make land common property, not by purchasing it or confiscating it. It is only necessary to confiscate rent. We should abolish all taxation save upon land values, and appropriate rent by taxing land to the full amount of its value. Then wages would rise, and profits and the earnings of capital would increase; wealth would augment; poverty would be banished; crime would be lessened, and morals would be elevated.

Labour would have access to land free of rent on the margin of cultivation, and consequently would not be compelled to accept bare subsistence wages, or starve. The surplus unemployed would betake themselves to the free land, and thus the surplus would be drained off and the pressure relieved. The difficulty of finding employment arises from the difficulty which labour has in finding employment for itself, because barriers fence it off the land.

The assumed validity of public debts and titles to land rests upon the preposterous assumption that one generation may legislate for and bind another generation. If a man asked me to pay a bond which my ancestor had given to his ancestor, I should laugh at him. It is a sound deduction from the self-evident truth that the land belongs in usufruct to the living, that one generation should not hold itself bound by the laws or the defects of its predecessors. Let the parchments be ever so many, or the possession ever so long,

the poorest child that is born in London to-day has as much right to the landed estates of the Duke of Westminster as his eldest son.

The foregoing is, I believe, a fairly complete and accurate summary of the argument embodied in *Progress and Poverty*. I have given it at some length, because the assertions which Henry George makes and the contentions which he founds on them are practically, though not always avowedly, the same as those which are at the basis of the views entertained, and the propaganda carried on by the majority of those who advocate the special penal taxation of land.

John Stuart Mill and Unearned Increment

Some years before Henry George and his proposals were heard of in this country, the Land Tenure Reform Association, of which J. S. Mill became President in 1870, had as one of its objects :

To claim for the benefit of the State, the Interception by Taxation of the Future Unearned Increase of the Rent of Land (so far as the same can be ascertained), or a great part of that increase, which is continually taking place, without any effort or outlay by the proprietors, merely through the growth of population and wealth ; reserving to owners the option of relinquishing their property to the State at the market value which it may have acquired at the time when this principle may be adopted by the Legislature.

J. S. Mill, in supporting this policy, said :

The Society are of opinion that in allowing the land to become private property, the State ought to have reserved to itself this accession of income ; and that lapse of time does not extinguish this right, whatever claims to compensation it may establish in favour of the land-owners. . . .

The Society do not propose to disturb land-owners in their past acquisitions ; but they assert the right of the State to all such accessions in the future. Whatever value the land may have acquired at the time when the principle they contend for shall obtain the assent of Parliament, they do not propose to interfere with. If, rather than submit to be specially taxed on the future increase of his rent, the land-owner prefers to relinquish his land to the State, the Society are willing that the State should pay for it at its selling value. . . .

A large margin (of the future increase of rents) should be allowed for possible miscalculation.

By the old land nationalisers, and the new Henry Georgeites these proposals were considered to be quite inadequate. They desired immediate, not prospective revenue ; they also had no

intention of confirming owners of land in the possession of what they now have. They desired to annex present existing land values and not merely such future increases as might accrue. Such municipal bodies as the London County Council of twenty to twenty-five years ago, the Corporation of Glasgow and others who followed their lead, wanted an immediate revenue from some new source to relieve the heavy burden of rates which they were vigorously piling up. Power to levy rates upon some one other than the ordinary ratepayer, supplemented by liberal subsidies from the Imperial Exchequer, was the ideal of the average municipal councillor. Not being troubled with much knowledge of the history or theory of local and national finance, sharing many popular hazy prejudices regarding land and its owners, and always having before his eyes the terror of the rising wrath of his constituents, the local ratepayers, he readily turned a sympathetic ear to the plausible theories propounded by Henry George, especially as they were presented in the garb of religion and outraged justice. If he did not quite see his way to the millennium which was foreshadowed, he did at least think that he saw a new source of revenue and a means of stemming the rising tide of rates. The result was that a crusade, more or less on the lines of the teaching of Henry George, received considerable impetus and support.

Schemes for the Taxation of Land Values

The United Committee for the Taxation of Land Values is a body composed of representatives of a number of Leagues and Branches in various parts of the United Kingdom which exist to circulate the writings of, and to promote the policy advocated by, Henry George and his followers. It spends £10,000 a year on this propaganda, and circulates 50,000,000 leaflets a year in addition to publishing a monthly paper and many pamphlets and books. Its principles are that the rent of land should form a public fund, of which each individual would enjoy the benefit, and its policy is to make rent a public fund by the taxation of land values, and thereby remove all other rates and taxes.

The Committee frankly and openly advocate the plunder of all owners of land. Mr. Joseph Fels, who is their chief financial supporter,¹ in a letter to the *Times* of February 29, 1912, referring to the recommendation of a Committee of the House of Commons

¹ On July 18, 1912, he said he would himself duplicate any sum which the United Committee raised for propaganda work up to £20,000.

that the State should purchase agricultural land as opportunity offered, and let it to tenant occupiers, said :

There is no doubt that the landlords and their friends in Parliament will welcome a scheme of land purchase, but it would be an outrage upon common sense and common honesty to pour millions of hard-earned money into the pockets of this landlord class, when justice clearly shows that the proper method of procedure is to take millions from them by taxation of land values—values which the dullest intelligence knows are the fruits of the toil of the workers upon the land.

What we have to insist upon is that the land monopolist shall be made to get off the backs of the toilers ; that this can be accomplished by a State purchase is about as sane a proposition as suggesting that a dog can be profitably fed upon his own tail.

Later in the year¹ at a Land Values Conference over which Mr. C. P. Trevelyan, M.P., presided, and at which Mr. Urc, M.P., and others spoke, Mr. Fels said :

I am in favour of the Taxation of Land Values and the untaxing of everything else. I am in favour of removing all taxation from labour, every kind of industry, all kinds of business and buildings. I am not even in favour of taxing the income of Sir William H. Lever. . . . I am in touch with some sixteen countries, and when I have been charged with spending £30,000 or £40,000 in Great Britain to help along the land taxation, let me say I am spending two and a half times that much in my own country, so you see I am entirely cosmopolitan. . . .

I do not deny that I am a Single Tax man. I am a Single Tax man, and I believe from the bottom of my heart in the theory and economic philosophy taught by that great man Henry George as announced in that bible of the world : PROGRESS AND POVERTY.

Land Values, their official organ, said :

To confiscate means to appropriate to the public use, and it is true that our Leagues aim at nothing less than the complete appropriation for the public use of the land values of this country.²

Mr. W. R. Lester, the Treasurer of the Committee, in a pamphlet entitled *The Taxation of Land Values*, says :

The value of the bare land apart from the improvements on it is a communal value, and should therefore be shared in common. In other words, it should be taken in taxation. If you tax it in part, then you have made a beginning with the Taxation of Land Values. If you go further and tax it so as to derive your whole public revenue from it, and at the same time abolish all other taxes, then you have the Single Tax. The Single Tax is the logical issue of the Taxation of Land Values.

¹ Oct. 7, 1912.

² May 1908.

And in *Freedom through Taxation of Land Values*, he says :

To tax Land Values to the full means, in a word, to abolish every tax save that on the value of land. . . . The reform can be taken step by step. Little by little let the community tax rent ; little by little let it abolish present taxes on industry. This is the practical policy we advocate.

Mr. Ure, M.P., then Lord Advocate for Scotland, speaking at a dinner given by the Land Values Group, said :

Some day, who could tell, a single tax might be established in this country many years hence. But let them not be too confident by talking about a single tax to-day, and so frightening those who might be their friends.¹

Mr. J. Dundas White, M.P., in *The A.B.C. of the Land Question*, says :

Fiscal Reform should begin by substituting Rating of Land Values for the present system of rating : it should proceed to substitute Taxation of Land Values for the present taxes on landed property ; and it should then be developed further by substituting additional Taxation of Land Values for the other taxes on industry and trade. The further these substitutions are carried, the better shall we secure to the community what is rightly theirs. . . .² The Land Values movement leads to the Single Tax—the proposal to treat the rent of the natural elements as the source of public revenue, and to abolish all other rates and taxes. This rests on the twin principles that all the community have equal rights to the national elements, and that each individual is entitled to the products of his own industry.³

Messrs. C. H. Chomley and R. L. Outhwaite, M.P., in *The Essential Reform : Land Values Taxation in Theory and Practice*, say :

Save, perhaps, in cases of possible emergency, the only tax should be one upon land values, which would yield a revenue adequate for all national and municipal purposes ; and we have seen that justice demands the ultimate raising of this tax to a point at which it would absorb private property in land.

Perfect taxation would abolish private property in land : there are unanswerable reasons for condemning private property in land. . . . All men have an equal right to live, and it follows of necessity that all have an equal right to land. . . . Rights to life would be unequal if one man were bound and another were not, to pay for land on which a foothold at least is a necessity of living. And this equal right to life, with its corollary an equal right to land, belongs to generations unborn as well as to those living to-day. . . . No sale of this right which might

¹ July 18, 1912.

² P. 47.

³ P. 49.

conceivably be alleged to have been acquiesced in by living people can be urged against the child to be born to-morrow, who has had no possible chance of selling his birthright.¹

After this repudiation of all purchases and bequests of land, and of all laws and legal contracts authorising, compelling, or confirming the millions of transactions in land which have taken place in the past, and the thousands which take place yearly now, these gentlemen find no difficulty in passing on from their proposal to "abolish private property in land" by confiscating "the whole rental value," to elaborate a scheme for seizing a large proportion of the property of railway companies, gas companies, water companies, electric lighting and power companies, tramway companies, telephone companies, and dock and wharf proprietors.² Their theory is that the value of the land which these undertakings own, or over which their lines, pipes, or wires pass, is not its clear unimproved site value, but is the difference between the value of these undertakings as a whole, as going concerns, and the value of their premises and plant. They express it thus: "The difference between the value of a monopolistic business and the value of the tangible property belonging to it is the measure of the land value possessed by the owners of undertakings of this class."³ They propose to acquire the whole of this so-called land value by taxing it at its full value arrived at on that basis. They explain how they think this would work with regard to railways. They say that the value of the shares of the railway companies is the value of the land plus the value of the rolling stock, rails, stations, etc., on it. They would arrive at the value of the land by deducting the value of the rolling stock, rails, stations, etc., from the total value of the capital of the company.⁴ They would then levy land value taxes on this so-called land value, and gradually increase them until the nation had "resumed" that value. Their first step would, however, be to buy out the companies at their capital value, and pay the interest on that portion of it which they call land or monopoly value by levying a special land tax on all the land values of the country. They put the capital value of the railways at about £1,200,000,000, of which, they say, probably one-half is monopoly or land value. The amount to be raised by the special land tax to pay interest on this sum at 4 per cent would, therefore, be £24,000,000. By this means they suggest that they could raise wages and lower freights to the extent of £24,000,000 a year.⁵

¹ Pp. 38, 39.

² Pp. 17, 20.

³ P. 19.

⁴ P. 111.

⁵ P. 113.

In addition to this, "great national roads" for "motor traffic at a high rate of speed," and "great waterways" (canals) "made free to all users" are to be constructed, the interest on all these undertakings being raised by taxes on land values.¹

That is to say, land values are to be confiscated, and out of the proceeds of the plunder all rates and taxes are to be abolished, "save perhaps in cases of possible emergency," half the cost of purchasing the railways is to be paid, and "great national roads" and "great national waterways" are to be constructed and "made free to all users"!

Speaking in the House of Commons on March 13, 1913, Mr. Outhwaite said that "buying out the land-owners and creating a debt of thousands of millions upon which vast interest will have to be paid" is "going the wrong way to deal with the land monopoly." The right way was "to take the rent fund by the simple process of taxation."²

Mr. F. Verinder is the Secretary of the English League for the Taxation of Land Values which was formerly known as the English Land Restoration League. When the change in the name was made in 1902, it was stated that it "involved no change of front nor change of principles." What its "front" and "principles" were was thus stated in a Manifesto which was issued by the English Land Restoration League and signed by Mr. Verinder :

We propose to increase taxation on land until the whole annual value is taken for the public benefit, and, finally, to make the English people themselves the landlords of England. As a first step to this end, we shall demand of our representatives in Parliament a re-imposition of the tax of four shillings in the pound on the current value of land, irrespective of whether it is rented, used, or kept idle by the holder. And we shall also demand, at the same time, a measure giving all local governments the power to collect rates from an assessment upon the value of land, exclusive of buildings or improvements, and irrespective of use. We propose to achieve our end—the complete restoration of English land to the English people—as rapidly as may be.

The Land Values Group in Parliament

As one of the preliminary steps towards the consummation of this policy, a memorial to the Government was promoted by the

¹ Pp. 114, 115.

² In the course of the speech the following episode occurred :

Mr. Outhwaite : "We take for the community what is the worker's own, the value of the land, and we do not pay a penny piece for it."

Sir A. Markham : "Why don't you say steal?"

Land Values Taxation Committee in May 1911. That Memorial urged :

- (1) Hastening the completion of the valuation of all land, apart from improvements, provided for in the Budget of 1909-10.
- (2) Making that valuation accessible to the public.
- (3) Empowering Local Authorities to levy rates on the basis of that valuation.
- (4) Levying a budget tax on all Land Values, to be applied
 - (a) In providing a national fund to be allocated toward the cost of such services as Education, Poor Relief, Main Roads, Asylums, and Police, thereby reducing the local rates; and
 - (b) In substitution of the duties on tea, sugar, cocoa, and other articles of food.

And is stated to have been signed by 176 Liberal and Labour M.P.'s.

A Memorandum submitted to the Departmental Committee on Local Taxation, in 1912, by Mr. C. L. Davies and Mr. P. W. Raffan, M.P., on behalf of "The Land Values Group of Members of Parliament," stated the arguments which they consider justify and support these proposals. For the most part that Memorandum is merely a restatement of many of the difficulties, inequalities, and injustices which characterise our present system of rating and taxation. These have been common ground amongst all parties for half a century. The practical question is, How can they best be rectified and adjusted ?

The proposal of the Land Values Group is that there should be a local and a national tax upon land values. "The whole of local expenditure should be charged upon the owners of site values," and "so much of the cost of such services as Education, Poor Relief, Main Roads, Asylums, and Police, as is properly a national charge, should be raised by a national tax on land values."

The arguments adduced in support of this proposal are largely those propounded by Henry George. They are that land value is public value, which has been created by, and therefore should belong to the public: that a tax on that value cannot be shifted: it would not trench on capital, or interest, or wages: by it no one would be deprived of the return due to his own labour or outlay: every one would contribute to the public revenue in exact proportion to the natural advantages with which he was entrusted by the community, that is, in proportion to the value of the land which he

held : each citizen would contribute to the revenue of the State in proportion to the benefit he received from the State.

It is further urged that the present system rewards the land withholder and penalises the land-owner, and that land taxation would stimulate and indeed compel the fullest remuneration and advantageous use of land, whereby progress and development would be encouraged, employment increased, and wealth created : that the imposition of heavy burdens of rates as soon as land is built on and the houses are occupied, delays and prevents building, and thus makes houses fewer and dearer, and keeps men out of work who would be employed if improvements and extensions were not taxed : that taxing land values would not only promote the use of land, but would also lower its price by bringing it into the market, and making its owners anxious to sell or let : that, consequently, houses and business premises would be cheaper, rents would be lower, and the rates and many of the taxes which are now paid would be abolished. Another advantage claimed is, that it would redistribute the burden of rates as between different districts, as regards the local tax the levies on central properties where the site values are highest would be increased, and in the suburbs and on the outskirts, where it is desirable to encourage building, they would be diminished : as regards the national tax, it would relieve agricultural and purely working class districts, and increase the payments of central city and high-class residential districts.

A Kaleidoscopic Propaganda

At different times, in different places, different advocates of specially taxing land accentuate and attach importance to different phases of the policy, and the results which they think would follow its adoption. More or less vaguely most of them skip gaily from phase to phase, and enunciate the most contradictory arguments with bewildering rapidity and inconsistency.

As an indication of the hallucinations which some people are under, and the kind of rhapsody into which they speedily lapse, we may quote from *A Hundred Reasons for Taxing Land Values*, by Chapman Wright and Arthur Wilby, a few of the advantages which it is alleged would follow the adoption of this policy :

Accidents to workers diminished.

Antiquarian remains preserved (by taxing them so heavily that their owners would be compelled to give them up).

Art encouraged.

Beautiful landscape scenery preserved.
 Capital no longer harmful.
 Charities made genuine.
 Church disestablishment if desired.
 Civic responsibility aroused.
 Cruelty to children diminished.
 Disfiguring advertisements diminished.
 Eight-hour day if desired.
 Factory Acts unnecessary.
 Food adulteration checked.
 Gambling diminished.
 Gas, Trams, etc., municipalised.
 Hospitals benefited.
 House of Lords abolished, if desired
 Human nature unchanged.
 Imperialism on sane lines.
 Insanity diminished.
 Interest made fair.
 Inventions encouraged.
 Milk-supply improved.
 Millionaires impossible.
 Municipal corruption checked.
 Rivers for the nation.
 Shop hours made reasonable.
 Street noises diminished.
 Trusts impossible.
 Waste of labour stopped.
 Worry lessened.

The only sound and sensible statement in this list is that human nature would be unchanged. We can only wonder why they do not tell us that freckles would be abolished, snub noses would disappear, the weather would always be what was desired, cats would cease from caterwauling, and babies would squall no more.

*An Inquiry into Facts, History,¹ and Fundamental Principles
desirable*

It is clearly desirable that some effort should be made to elucidate the welter of confusion in which all questions affecting the ownership and taxation of land have been involved. That there are important problems in connection therewith, for which a solution is urgently needed, is not doubted by any one who has given attention to the subject. That there are grievances, inequalities, and injustices, is universally admitted. The difficulty hitherto has been to agree upon the remedy. Proposals for what is called Reform are numerous

enough, but some of them would do little more than accentuate existing troubles or create others as bad or worse. No real progress is made if we merely substituted a new injustice for an old one.

It is essential to the formation of a sound judgment on this, as on all other subjects, that we should have accurate knowledge of the facts and history of the matter, and clear views as to the fundamental principles by which we ought to be guided in dealing with it. Our first step, therefore, should be an endeavour to separate the true from the false, the wheat from the chaff, by making an effort to ascertain how much of the assertions and contentions which we have been considering is sound, just, and accurate, and how much is fallacious, inequitable, and untrue. This involves an inquiry into the origin and history of property in land more especially in this country, and also into those theories of natural right which are expounded as the foundation of the claim which is made that much which has been done and allowed in the past should now be reversed and ignored. Some study of the history of taxation, its origin, object, character, and growth, and of the opinions which at various periods have been held with regard thereto, will be necessary. The origin and history of the feudal system, its rise and its fall, its aim and its results, and especially its bearing upon the subjects of our inquiry—the ownership and taxation of land—must be examined with some care. The economic history of the country for several centuries, and the industrial revolution which has characterised the last two hundred years, must also be looked into, in order to ascertain what has in fact been the effect of progress, inventions, and great material prosperity upon the masses of the people. It is further necessary that an effort should be made to determine as precisely as possible what is the real incidence and effect of rates and taxes which are levied on real property.

When this has been done, we shall have cleared away some misconceptions which prevail as to matters of fact, we shall have brought forward other factors and considerations which are generally overlooked, and we shall be able to consider some of the proposals which are made in the light of what expediency suggests, sound economic principles teach, and justice demands.

PART I

THE ETHICS AND ORIGIN
OF THE PRIVATE OWNERSHIP OF LAND

“It is not to be forgotten that what we call rational grounds for our beliefs are often extremely irrational attempts to justify our instincts.”—HUXLEY.

“When you have no case according to the law of the land, appeal to the Law of Nature.”—ARISTOTLE (Rhetoric).

“The doctrine of ‘natural rights’ is the fulcrum upon which Henry George, like a good many other political philosophers during the last 130 years, rests the lever wherewith the social world is to be lifted away from its present foundations and deposited upon others.”—HUXLEY.

“What are these natural laws which nobody has made and which everybody supposes at his fancy?”—BENTHAM.

“We can only allow natural rights to be talked about in the sense in which natural rights mean those legal or customary rights which we have come to think or may come to think it most advantageous to recognise.”—Prof. RITCHIE.

“The distinction between Natural Law and Positive Institution is one of the very deepest subjects in all philosophy, and there are many indications that Mr. George has dipped into its abysmal waters with the very shortest of sounding lines.”—DUKE OF ARGYLL.

CHAPTER I

THE ETHICS OF PRIVATE OWNERSHIP OF LAND

FROM the time of Rousseau to Henry George, and those who are at the present time more or less imbued with the spirit of his teaching and policy, there have always been representatives of a school of thought which propounds the doctrine that private property in land is immoral and pernicious, a violation of natural rights and contrary to the law of nature. Consciously and avowedly, or tacitly and unconsciously, the ideas and attitude of mind from which this teaching emanates are the foundation and starting-point of much of the policy and propaganda of the present time with regard to land and its taxation. As usual, Henry George states the alleged principle far more frankly, clearly, and concisely than any of his more or less diluted followers :

The equal right of all men to the use of land is as clear as their equal right to breathe the air—it is a right proclaimed by the fact of their existence. For we cannot suppose that some men have a right to be in this world and others no right.

If we are all here by the equal permission of the Creator, we are all here with an equal title to the enjoyment of His bounty—with an equal right to the use of all that nature so impartially offers. This is a right which is natural and inalienable ; it is a right which vests in every human being as he enters the world, and which, during his continuance in the world, can be limited only by the equal rights of others. There is in nature no such thing as a fee simple in land. There is on earth no power which can rightfully make a grant of exclusive ownership in land. If all existing men were to unite to grant away their equal rights, they could not grant away the right of those who follow them.¹

It is desirable, therefore, at the very outset of our inquiry, that we should ascertain what these “ Natural Rights ” really are and what recognition of them involves.

¹ *Progress and Poverty*, p. 240.

Natural Rights

What people really mean when they talk of "Natural Rights" is often very difficult to discover. Frequently they talk very loosely, and are obviously confusing natural rights with moral rights and legal rights, and, in the course of any argument which they profess to base on natural rights, they are found tripping gaily from natural rights to moral rights, and then to legal rights, and back again to natural rights, just as it seems to suit their purpose.

In his work entitled, *Remarks on the Use and Abuse of some Political Terms*, Sir George Cornwall Lewis says :

We hear of original rights, natural rights, indefeasible rights, inalienable rights, inherent rights where there is no pretence of legislative sanction ; indeed, the only object of using these names is to induce the Legislature to convert these supposed rights into real rights by giving them the sanction of law. . . . All that these persons mean is that, in their opinion, the claims which they call rights ought, in sound policy, to be sanctioned by law. It is the duty of such persons to show that sound policy requires what they require : but as this would require a process of reasoning, and as reasoning is often both hard to invent and to understand, they prefer begging the question at issue by employing some of the high-sounding phrases just mentioned.¹

"The words 'nature' and 'natural' are constantly bandied about in controversy as if they settled quarrels, whereas they only provoked them by their ambiguity. Slavery has been condemned as an 'unnatural' institution, and has been defended on the ground of the 'natural' inferiority of some races to others. The equality of the sexes is asserted and denied on the ground of 'nature.' The 'natural' goodness and the 'natural' badness of mankind have been maintained with like earnestness and sincerity."²

No Agreement as to what are "Natural Rights"

When people appeal to nature they appeal arbitrarily to what they happen to like or approve. Different peoples at the same time, and the same peoples at different times, and various sections of the same community, may and often do hold different views as to particular rights and duties, and there is no law-court to which an appeal can be made, from which a binding decision can be obtained. The only sanction or otherwise of an alleged moral right is the approval or disapproval of private individuals—that is of public opinion.

¹ P. 31.

² Prof. Ritchie, *Natural Rights*, p. 20.

If the Law of Nature really represented the consent of the human race it would determine many long-standing controversies ; but it has not done so : it has rather promoted some of them. The opinions which have been held amongst different peoples at all ages about two such vitally important matters as slavery and marriage, upon which, if on any subjects, the law of natural rights would speak uniformly and with authority, illustrate the difficulties which there are in interpreting the voice of nature.

If there were a " Law of Nature " to which we could appeal to determine the natural rights of individuals, it would no doubt be very convenient. We could then easily determine what their moral rights were and deduce therefrom what their legal rights should be. There is, however, no universal agreement as to what natural rights are. They usually mean those rights which, in the opinion of the person who is asserting or claiming them, would be recognised by the public opinion of his ideal community, and would be respected by its laws. In a word they are merely the rights which he thinks ought to be recognised. Views as to natural rights vary as much as views as to theology, and the most contradictory assertions are made and defended with equal confidence and authority.

In primitive conditions people regard as natural rights those rights which they have been accustomed to have or which they, rightly or wrongly, believe they once possessed. " Custom is primitive law, and custom determines primitive notions of obligation." To the Greeks and Romans and other ancients slavery was a natural institution. They knew nothing of any society, civilised or other, without it. Turks, Chinese, Germans, and Americans have different ideas as to the position of women. Each thinks the one to which he is accustomed is the natural, right, and proper one.

Some people regard an appeal to " Natural Rights," or the " Law of Nature," as an appeal from law or general custom to the natural instincts and feelings which Nature has implanted in our breasts. This appeal to " the voice of God and Nature in the heart of every man," which is regarded as a universal revelation of the will and intention of the Deity, is really an appeal to the conscience of each individual. It is an appeal to an internal as against an external authority. It suggests the existence of an infallible Pope in the breasts of mankind. Unfortunately, the decisions of this conscience, these instinctive feelings, differ much at different times,

at different places, and in different persons. The view of the individual and of the multitude is certain to be very largely a reflection of the environment to which they have been accustomed. Professor Bain said, "Conscience is an imitation within us of the government without us." Revolts against existing conditions always show strong traces of the influence of the environment that has created them.

It would help many people to clear their minds on this question of "rights" if they would attempt to state clearly and concisely what they really mean when they speak of "natural rights." Do they mean the rights which men and animals have in a state of nature? Are there any differences between the *natural* rights of men and animals, and, if so, of what do those differences consist, and how and when do they arise?

Is natural right the unlimited right of all to everything that is provided by nature? Has natural right anything to do with justice or injustice? Do they make any serious and carefully reasoned attempt to distinguish between natural rights, legal rights, and moral rights?

A legal right is any privilege or immunity conferred by law. A legal right is not necessarily a moral right. A legal right is a claim of an individual upon others which is recognised by the law-courts, that is by the State in which the right is claimed. A moral right is a claim of an individual upon others which is recognised by society irrespective of whether it is or is not recognised by law.

At Bottom "Natural Right" is the Right of Force

Sovereignty—ultimate legislative and administrative authority and power—in any nation or community rests with those who have the control and support of those who are the strongest, and consequently have power to enforce their will. They are by no means necessarily the majority. "Legally speaking, the State is almighty," so far as its own subjects are concerned, up to the limit of its power to enforce its decisions and commands. As Sir George Cornwall Lewis put it, "All governments subsist by force, and that force is ultimately the sole check on wrongdoers."

Government is based upon the natural law that the stronger rules. One of the bonds of social cohesion is the dependence of the weak upon the strong, from which evolves obedience on the one hand and protection on the other.

The existence and administration of a criminal law are necessary to the existence of a state ; and no criminal law can be carried into effect without the means of applying physical constraint to those who infringe it. Nevertheless, the knowledge that force may, if necessary, be applied induces offenders to submit without resistance. . . . The cases, therefore, in which force is *actually* applied are not many ; and as the effect of the law authorising the use of force is to render its use unnecessary, it has been thought that force is of little benefit in civilised societies, and might be banished from the resources of government, although it is, in fact, the keystone on which all government must ultimately rest.¹

In the community of nations the first appeal is to physical force. In communities of men forms of government serve to put off the appeal, and often render it unnecessary. But it is still open to the oppressed or the ambitious.²

At bottom and in reality "natural right" is simply the right of might and force. Man is not born with any natural rights, as distinct from legal rights, any more than an animal is. He is born with instincts and potential capacity and powers. The "right" which nature gives to men and animals is the right to do, get, and keep what they can. Man's natural liberty is "unlimited right to everything he is able to obtain." It means the reign of selfishness and brute force, and is individualism in its purest and most extreme form. To base an argument or an appeal for equity and justice, sympathy and brotherhood, and an effort to ameliorate the condition of the people on "natural rights," indicates a confusion of thought which is as absurd as it is hopeless.

Huxley and the "Natural Right" of the Tiger

The theories which are often based on what are very loosely and inaccurately described as "Natural Rights" have never been dealt with more trenchantly than by Professor Huxley, and no one has more clearly indicated the fundamental distinction which separates "Natural Rights" on the one hand from Moral and Civil Rights on the other than he has in two illustrations, which I will here summarise largely in his own words.

He tells the story of a tigress which carried off a man to her cubs and allowed them to worry and maul him, while she from time to time quieted him by cuffing him with her sharp-clawed paw. The tigress and her cubs were afterwards shot.

That tigress had a "natural right" to do what she did, and

¹ Sir Geo. C. Lewis, *Use and Abuse of some Political Terms*, p. 162.

² *Edinburgh Review*, vol. i. (50) p. 111.

that she was justified by the "law of nature" is unquestionable. It is their nature to, "for God hath made them so." It is the "nature" of tigers to prey on other large animals, men included. They are eminently adapted for the operation, and they must perish if they fail to perform it. To deny the right of tigers to torment and devour men would be to impeach the order of nature. If we base our claim to do anything on "natural right," whence comes our competence to deny the exercise of their natural rights to other beings who stand upon the same foundation of natural right as ourselves? To be, and to have a natural right to be, to possess a faculty, and to have the natural right to exert it, are all one.

The important point is: is a "natural right" a right which ought not to be interfered with—a right which men and animals ought not to be prevented from exercising? The answer to that question will do much to clear the air as to what natural rights really are, and what they really involve.

It is admitted that a tiger has a natural right to eat a man; but if he may eat one man he may eat another, so that a tiger has a right of property in all men, as potential tiger-meat. Men are as much the "gratuitous offering" of nature to tigers for their subsistence, or part subsistence, as fruits are to men. But any one tiger has no more natural right of property in men than any other tiger. All tigers are free to eat any man they can seize. So that we may safely enunciate the conclusion that all tigers have an equal natural right to eat all men.

The use which is frequently made of the doctrine of "natural right" and the interpretation which is often put upon it, would really require the further admission that, as tigers have a right to eat men, it is wrong of men to put obstacles in the way of their having their rights by refusing to be eaten. Those who claim that "natural rights" ought not to be interfered with make a convenient, though unwarrantable, jump from one sense of the word "right" to another—from "natural right" to "moral right" when they contend that the existence of a "natural right" creates a moral obligation to permit it to be exercised. No doubt, he who hinders or refuses to admit a moral right is morally wrong—unjust, or, if you will, wicked. But very little consideration will show that hindrance or denial of "natural rights" may not only be far from wrong, but is, in fact, a necessary consequence of the existence of such "natural rights." Grant that the tiger kills and eats men in the exercise of his natural right to preserve his own existence;

it is no less true that men kill tigers in the exercise of their equal natural right to preserve their existence. If the tiger is entitled by the law of nature to use his claws and teeth and soft-footed, stealthy cleverness for the purpose of his self-preservation, the man may employ his hands and weapons, and use his still greater cunning, in tracking and stalking tigers to the like end.

“ Thus,” continues Huxley, “ the natural rights of tigers and the natural rights of men, though quite indisputable and alike safely founded on the ‘ Law of Nature,’ are diametrically opposed to one another. It follows, therefore, that they are rights to which no correlative duties correspond—rights of which the exercise may be impeded or prevented without the perpetration of wrong. And that is just the difference between ‘ natural laws and rights ’ on the one hand, and ‘ moral and civil laws and rights ’ on the other. Moral laws and civil laws are commands of an authority which may be disobeyed ; but the sanctioning authority threatens and visits with penalties those who disobey. . . . The proper object and effect of moral and civil laws are to benefit all who are subjected to them by bringing about a state of peace and mutual confidence—the laws restraining each individual from acts which are hurtful, and encouraging those which are beneficial to the polity of which he is a member. On the contrary, the ‘ Law of Nature ’ is not a command to do, or to refrain from doing anything. It contains, in reality, nothing but a statement of that which a given being tends to do under the circumstances of its existence ; and which, in the case of a living and sensitive being, it is necessitated to do, if it is to escape certain kinds of disability, pain, and ultimate dissolution. The natural right deduced from such a law of nature is simply a way of stating the fact ; and there is, in the nature of things, no reason why a being possessing such and such tendencies to action should not carry them into effect.”

Robinson Crusoe

Huxley next takes the case of Robinson Crusoe before the advent of man Friday, and, after remarking that “ No one would deny that he had a natural right to take possession of his cave ; to cut down the trees that suited his purpose ; to gather fruits ; to kill any of the wild goats for his subsistence ; to shoot any number of the cannibal visitors, who would otherwise kill him for their subsistence,” proceeds to ask what would have happened if another Crusoe had been cast ashore on the opposite side of the

island, and both had stalked the same goat from opposite sides. If each insisted upon exerting the whole of his natural rights, it is clear that there would be nothing for it but to fight for the goat. On the other hand, if the two men followed the dictates of common sense, they would agree to unite in peaceful co-operation with each other for their mutual comfort and protection. And that would be possible only if each agreed to limit the exercise of his natural rights. This is to say, the two men would, in reality, renounce the law of nature, and put themselves under a moral and civil law, replacing natural rights, which have no wrongs, for moral and civil rights, each of which has its correlative wrong.

The Social Utility Theory

Henry George's proposals are based on two fundamental theories—one as to the basis of private property, and the other as to the basis of the taxation of the individual citizen. The first theory is that individual labour alone gives a complete right and clear title to property. This theory is based on the doctrine of natural rights.

Hobbes¹ says, "Nature hath given to each of us an equal right to all things." "In a state of nature every man has a right to do and take whatever he pleases: whence the common saying that Nature has given all things to all men, and whence it follows that in a state of nature utility is the rule of right." That is to say, in early times the universal rule was that the use of a thing, the occupation of land, gave the right of possession.

The theory of property which is accepted by modern jurisprudence and political philosophy is what has been called the social utility theory. It is based upon the practically universal experience of civilised mankind extending through the centuries until the light of history becomes dim and uncertain. Just as order, justice, law, and private and social ethics are the outcome of human experience and social and economic conditions, so private property is justified by the simple fact that it is the last stage of the outcome of a prolonged social evolution. As the result of the gradual progress of economic and social forces, private property came to be recognised in all civilised countries as the condition most calculated to promote the well-being of the whole community.

Of course, this does not mean that further progress is unthinkable, and that a change is impossible. What it does mean is that experience and universality count for much, and that when we are

¹ *De Cive*.

asked to entirely reverse the progress of centuries, and revert to primitive conditions which every nation that has become civilised has discarded, a very strong case indeed is required to be made out, and that theories of what are called natural rights will furnish a very inadequate foundation for such arguments and proofs as will be required.

At best "Progress is only from one partial and one-sided expression of the whole truth which hovers before us as an ideal to another expression of it which may be equally, and sometimes even more, partial and one-sided, and which at the best is only less inadequate than that which replaces." Nevertheless, "durable institutions and widely diffused practical beliefs must have had in them some element of truth and value for the very reason that they flourished." ¹

"The tendency of careful economic study," as Professor Marshall ² says, "is to base the rights of private property, not on any abstract principle, but on the observation that in the past they have been inseparable from solid progress; and that, therefore, it is the part of responsible men to proceed cautiously and tentatively in abrogating or modifying even such rights as may seem to be inappropriate to the ideal conditions of social life."

Unconvincing Arguments

Mr. George says that the comparatively small number of people who own the land of the United Kingdom might exclude all the rest of the people from it. If no one is to own anything that he might misuse no one ought to have a gun or a knife, because he *might* shoot or stab some one. No one ought to own a cartload of bricks, because he might throw them at some one. A man ought not to be allowed to go about, because he *might* assault others. As Mr. W. H. Mallock puts it: "The Duke of Westminster *might* make Belgravia a desert. Mr. George when he was in England *might* have stabbed the Duke of Westminster. But it no more follows that the Duke has no right to his land, than it follows from hence that Mr. George ought to have gone about London in handcuffs." On the face of it, the suggestion that the land-owners could expel all the inhabitants of these islands is preposterous, for the simple reason that those inhabitants would never allow them to do it. If these things were probable or even possible, the law would provide against them. Land is held, as other things are owned,

¹ Ritchie, *Natural Rights*, p. 17.

² *Principles of Economics*, p. 48.

subject to laws which protect the interests of the whole community. The use which men can make of what they own is strictly limited.

All Henry George's comparison of the exclusive ownership of land with exclusive ownership of the air is unconvincing, in view of the fact that under his scheme land would be permanently owned and occupied by a very limited number of people, subject to the payment of a tax. He does not propose to prevent exclusive, permanent personal occupation, an occupation that would as effectually exclude all others from the land occupied as the present system does. If the exclusion of people from the land now is blasphemous against God and Nature, it would be quite as much so under the system of private ownership and exclusive occupation which his scheme of taxation would permit, and indeed involve and necessitate.

The Right to Live—Where ?

“Every man has a right to live.” Where ? In his own country or only in his own part of it—where he was born ? Does his right cease if he goes to another part of the country ? Has he a right to live in any part and in any spot he likes ? If not, who has the right to determine where he shall live ? Is the land to be divided and subdivided to an unlimited extent ? Is it only that every man has a right to live *somewhere* ? If so, who is to decide where that “somewhere” is ? Have any number of people, however many may be born there, the right to live on a Scotch island—say one of the Hebrides—even if they become so numerous as to reduce the whole population to poverty and the verge of starvation ? If they go away from there, say to Glasgow, have they a right to live there ? If so, what right : they were not born there ? Have they a right to live in London ? On the other hand, have, say Londoners or Yorkshiremen, the right to demand to live on an over-crowded Scotch island ?

Is the right limited to a man's own country ? Even so, why should some people have a fertile soil and minerals and others barren hills and moors ? Is not this instituting ownership, at any rate of groups or communities as against other groups or communities ?

If men from the Hebrides may demand the right to live in Edinburgh or London as a natural, God-given right—as one of the rights of man—have they not an equal right to live in France, Italy, or China ? Have not the Chinese a right to live in Australia

or in England? What right have the people of England to its coal as against the German, the Russian, the Chinaman, or the Esquimaux? The boundaries of nations are artificial and temporary.

Is it not the simple fact, that by the immutable laws of our existence the rights of men with regard to the surface of the earth are and always have been and always must be distributed unequally and arbitrarily? What then comes of the doctrine of "equal rights," and how could it be enforced and given effect to? As Mr. Mallock truly says:

Unless it were recognised, with regard to the surface of the earth, that the rights of men to it are distributed, not equally, but unequally: that some men without any personal merit of their own, have an exclusive right to its richest and most delightful parts, whilst others have a right only to the parts that are most barren and miserable: that for some is the healthy hill-side, for others the pestilential plain; for some the harbours and the navigable rivers, for others the iron-bound coast and the rock-strewn mountain torrent; for some the perennial spring, for others the perennial winter; for some the fields of corn, for others the fields of ice: unless this were recognised as the order and rule of Nature no progressive civilisation of any kind would be possible; and mankind would consist of nothing but a multitude of warring and wandering tribes, perpetually either plundering or being plundered.

Rights of Nations and of Individuals

If the right to live in a particular country may properly and justly be limited to and vested in one group or nation, or in one section of a race of people, and not in mankind as a whole, on what principle of natural right, natural law, or natural justice can it be contended that a section of that special group, nation, or section of a race may not equally, properly, and justly possess special rights as owners of the land in that country—rights which in principle and character are not more exclusive as regards the other inhabitants of that country than are the rights claimed for those inhabitants as against the rest of humanity? If a nation may appropriate a country and claim it as their exclusive property why may not an individual appropriate a part of it? Or, if an individual may not own a portion of a country, on what principle and by what law of natural right may a group, or tribe, or race claim and own a portion of the earth's surface to the exclusion of others and their equal right of ownership?

Australians refuse to Chinamen even free admission to their country. By what right do they do it? What greater right have they to assert that prerogative of ownership, which is sounder

or greater than the right of the settler or purchaser there, to his particular portion of the land of Australia ?

By what right did Henry George's own countrymen in the United States, when they were a mere handful of people, claim and assert their ownership of and their right to exercise absolute authority over a very large portion of the earth's surface—an authority which extends to claiming power to exclude from it the whole human race except on the conditions which those who are already there determine ? Does Henry George denounce this claim to exclusive ownership ? Not a bit of it. Quite the opposite. He condemns his government and his countrymen because they ever consented to part with it.

Who or what gave this exclusive ownership and authority to this group of people at the time when they claimed and asserted it—a group so small that it was impossible for them to effectively occupy more than the merest fraction of the vast territory they had seized ? Was it conquest, or occupation, or mere assertion of possession ? If so, may not it and other land be acquired with equal justice by any one else who is strong enough to seize it and hold it ? Ownership has always been obtained and established in this way, and when so obtained and established has been dealt with as those establishing it have deemed best and most convenient.

Is Labour the only Title to Ownership ?

The contention which is built up by Henry George is that land and all that it contains is the creation of God, and is not the result of any man's labour ; that it was intended for the use and benefit of the whole of mankind in all ages, and therefore no one has a right to own it ; and that its value is entirely due to the growth, expenditure, and efforts of the community, and therefore every one has a natural right to that value. It is further contended that " Nature acknowledges no ownership or control in man, save as the result of exertion " ; and that " as Nature gives only to labour, the exertion of labour in production is the only title to exclusive possession." From this it is alleged that " if production give to the producer the right to exclusive possession and enjoyment, there can rightfully be no exclusive possession and enjoyment of anything not the production of labour, and the recognition of private property in land is wrong." ¹

Henry George's contention that labour is the only title to the

¹ *Progress and Poverty*, pp. 237-238.

exclusive possession of anything is based on his assertion of the right of a man to himself and to the enjoyment of the fruits of his own exertions. "As a man belongs to himself, so his labour when put in concrete form belongs to him."¹ "What other right exists from which the right to the exclusive possession of anything can be derived, save the right of a man to himself?"²

This may seem very clear, and sound, and quite incontrovertible to those who do not look below the surface of high-sounding phrases; but if the argument involved therein be subjected to critical examination, and carried to its logical conclusion, it will be seen that it is merely superficial logic-chopping based on assertions which ignore or contradict the plainest and best known facts of life.

Huxley on "A Man's Right to Himself"

As Huxley very forcibly puts it:

If labour is the only title to exclusive possession how in the world does a man come by the "right to himself"? I have paid a good deal of attention to those branches of natural history which treat more especially of man, but never yet have I come across even the smallest grounds for believing that a man has ever been known to make himself, or to endow himself by his own labour with the powers he exerts.

No doubt it may be said, with justice, that a man who learns diligently and strives hard to do right, bestows labour on himself, and does so far fulfil the necessary conditions of self-ownership laid down in *Progress and Poverty*. But, on the other hand, might not his teachers, on the very same ground, claim possession of the fruits of their labours in him? Might not the mother, who not only bore him, but bore with him, day and night, for half-a-dozen years, fed him, clothed him, nursed him in sickness, taught him the rudiments of civilisation—might not she rightfully appeal to this wonderful labour-test of ownership?

It is only a very small part of a man which can in any sense be said to be the product of his own labour. His physical and mental tendencies and capacities, dependent to a very large extent on heredity, are certainly the "gratuitous offering of Nature"; if they belong to anybody, therefore, they must belong to the whole of mankind.

Further, the very existence of society depends on the fact that every member of it tacitly admits that he is not the exclusive possessor of himself, and that he admits the claim of the polity of which he forms a part, to act, to some extent, as his master.

More Superficial Philosophy

The fact is that when Henry George propounds as two funda-

¹ *Progress and Poverty*, p. 236.

² *Ibid.* p. 237.

mental, indisputable, and self-evident propositions : first, that labour is the “ only ” title to exclusive possession ; and the second, that the foundation of this title lies in the right of a man to himself—that is to say, to the exclusive possession of himself ; and attempts to base each upon the other, he puts forward two inconsistent and mutually destructive theories, the unsoundness of which is only partially obscured by the ingenious logic-chopping with which he supports them, and the high-sounding platitudes in which he envelopes them.

His contention is that the real and natural distinction between things which are rightfully property, and the subject of exclusive ownership by individuals, and things which are the common possession of the whole of the human race, is the distinction “ between things which are the produce of labour and things which are the gratuitous offerings of Nature. . . . These two things are in essence and relations widely different. . . . The essential character of the one class of things is that they embody labour, are brought into being by human exertion, their increase or diminution depending on man. The essential character of the other class of things is that they do not embody labour, and exist irrespective of human exertion and irrespective of man.”¹

To the superficial reader this again may appear to be very precise and accurate, but, as a matter of fact, it is loose and slipshod ; and when the statement is to be made the basis on which an argument is to be constructed, the adoption of which would involve vitally important and fundamental consequences, a careful examination of it will show that it is really fallacious and absurd.

A Dilemma and an Absurdity

In strict accuracy it cannot be said of anything that it can be “ brought into being by human exertion.” The original material of which anything is made, be it a brick, a hatchet, a window, a pair of boots, a chair, a pen or a watch-spring, is “ a gratuitous offering of nature.” Some articles embody more human labour than others, but that is not a question of principle : it is only a difference of degree. The raw material of nature is always there, and without it all the labour expended would have produced nothing.

If the expenditure of labour on turning clay into bricks, trees into doors and chairs, iron into knives and hatchets, and copper, zinc, and iron into clocks and watches, rightfully makes those articles

¹ Pp. 238-9.

the property of those who expended or paid for the expenditure of the labour upon them, by what process of justice of logic is not a piece of land which has been reclaimed from the waste, and by expenditure of labour and capital been transformed into a field of valuable pasture and arable land, also the rightful property of those who have made it what it is ?

“ In the state of nature,” says Huxley, “ I doubt if ten square miles of the surface of the chalk downs of Sussex would yield pickings enough to keep one savage for a year. But, thanks to the human labour bestowed upon it, the same area actually yields, one way or another, to the agriculturist the means of supporting many men. If labour is the foundation of the claim to several ownership, on what pretext can the land, in this case also, be put upon a different footing from the steel pen ? ”

Clay, wood, iron or copper, and zinc are “ the gratuitous offerings of nature ” : “ they exist irrespective of human exertion and irrespective of man.” Yet labour applied to them makes them rightfully the exclusive property of individuals : but labour applied to land creates no right of property in the soil. To make the absurdity complete, Henry George says :

But it will be said : There are improvements which in time become indistinguishable from the land itself ! Very well ; then the title to the improvements becomes blended with the title to the land ; the individual right is lost in the common right. It is the greater that swallows up the less, not the less that swallows up the greater.¹

Make a swamp into a farm and in course of time the improvements will be “ indistinguishable from the land itself,” and the individual will lose his right to them in the common right of the whole people to the land : but turn the land into bricks, tools, ships or houses, and while it is true again that the “ improvements ” become “ indistinguishable from the land ” of which they are made, in this case the individual does not lose his right to the improvements. The human race loses its right to the land which the improver took away in the form of clay, iron ore, trees, etc. !

Does Labour alone produce Anything ?

The truth is, all articles of human production are parts of the material universe. None of the original raw material out of which either the rude weapon or tool of the savage or the delicate chronometer, machine, or mathematical instrument produced by the most

¹ *Progress and Poverty*, p. 243.

highly-skilled labour can be made by man. His most consummate art is but a moving into certain places of the parts of the material universe with which Nature supplies him at least as gratuitously as she supplies land.¹

The fallacy of Henry George's argument is similar, if we test it from the point of view of his contention that the value of land is entirely due to the existence, effort, and expenditure of the community, and that therefore it is the common property of all, and every one has a natural and indefeasible right to it. The value of everything, and indeed the power of individuals to do and produce anything, is largely due to the existence of the community and the work it does for each member of the community as part of the whole. Professor Seligman puts this point thus :

Mr. George bases his defence of private property in commodities other than land, on the labour theory. Yet individual labour, it may be said, has never by itself produced anything in civilised society. Take, for example, the workman fashioning a chair. The wood has not been produced by him. It is the gift of Nature. The tools that he uses are the results of the contributions of others. The house in which he works, the clothes he wears, the food he eats (all of which are necessary in civilised society to the making of a chair) are the result of the contributions of the community. His safety from robbery and pillage—nay, his very existence—is dependent on the ceaseless co-operation of the society about him. How can it be said, in the face of all this, that his own individual labour wholly creates anything? If it be maintained that he pays for his tools, his clothing, and his protection, it may be answered that the land-owner also pays for the land. Nothing is wholly the result of unaided individual labour. No one has a right to say: This belongs absolutely and completely to me, because I alone have produced it. Society from this point of view holds a mortgage on everything that is produced.²

As has already been observed, it is not the labour theory, but the social utility theory, which is the real justification of private property as it is of governments and laws. If the basis of Henry George's argument were sound, the conclusions to be based upon it would go much farther than he carries them. The difference between property in land and property in other things, from the standpoint of the fundamental original material of all of them

¹ "Men do not create material things. They do not 'produce' them. They produce utilities. They change the form or arrangement of matter to adapt it to the better satisfaction of wants. They readjust matter as when they make a log of wood into a table, or they put it into the way of being made more useful by nature, as when they sow seed."—Marshall's *Principles of Economics*, p. 63.

² *Essays on Taxation*, p. 69.

being "gratuitous offerings of Nature," and of individual as distinguished from social effort, is clearly purely one of degree and not of kind.

Experience the Guide

Is not the truth of the whole of this question of so-called "Natural Rights" this—that we must determine right and wrong by reference to experience, and not by any so-called inner light which any and every man may claim to possess and be guided by in arriving at most inconsistent and contradictory conclusions? "Natural Rights," as generally expounded, are really what some individuals or group of individuals happen at the moment to claim as harmonising with their private notions of what they ought to have.

"In the chaos of conflicting individual impulses, instincts, desires and interests, we can find no stable criterion. We must go beyond them to the essential nature of things. But what part of the nature of things is here relevant? Is it not simply—human Society? If there are certain mutual claims which cannot be ignored without detriment to the well-being, and in the last resort to the very being, of a Community, these claims may in an intelligible sense be called fundamental or natural rights. They represent the minimum of security and advantage which a community must guarantee to its members at the risk of going to pieces, if it does not with some degree of efficiency maintain them."¹

Theologians avoid the difficulty of ascertaining what the law of nature is by falling back on the authority of revelation. The revelation to which they appeal—and different teachers in different countries and at different times appeal to different revelations—may or may not be a final authority, but clearly it is another and an external authority, and does not help those who discard or ignore the authority to decide what is the law of nature and what are so-called natural rights. When a man appeals to what he terms the law of nature and natural rights, he is appealing to something other than, and different from, the teaching of the particular religious belief that he holds.

Ideas of Right and Wrong are a Growth—Slavery

We shall obtain a much sounder and also a much more hopeful outlook if we approach the study of past and present conditions

¹ Ritchie, *Natural Rights*, p. 87.

and institutions with the conception of development and advance—evolution—in our minds than if we attempt to apply to every people in every age the same unvarying code of right and wrong under the impression that there are iron-bound “natural rights” which are applicable at all times and under all conditions. Professor D. G. Ritchie, one of Scotland’s ablest thinkers, considered that—

To the scientific student of human history it seems almost certain that slavery was a necessary step in the progress of humanity. It mitigated the horrors of primitive warfare,¹ and thus gave some scope for the growth, however feeble, of kindlier sentiments towards the alien and the weak. It gave to the free population sufficient leisure for the pursuit of science and art, and, above all, for the development of political liberty; and in this way slavery may be said to have produced the idea of self-government. By contrast with the slave the freeman discovered the worth of freedom. Thus slavery made possible the growth of the very ideas which in course of time came to make slavery appear wrong. Slavery seems to us horrible: it is contrary to nature, it violates the feelings that God and Nature have implanted in our breasts, and so on. It used not to seem horrible or contrary to nature, even to many people who talked loudly about the inalienable right of liberty. There are probably many things existing now which will seem “horrible” some day, but which now seem quite “natural” to most persons. Science must have no prejudices, and, therefore, we must admit that there was a stage in human development when slavery, being useful to the progress of mankind, was not contrary to what could then have been considered “Natural Rights,” although, when slavery is no longer an institution of progressive societies, it becomes contrary to what people now consider “Natural Rights.”²

Bondage in some form or other was universal in the whole of the ancient world of which we have historical knowledge.³ It was the alternative for slaughter in the case of prisoners of war. It prevailed amongst the Jews, and Christianity found it existing everywhere and never expressly condemned it. Aristotle said that slavery was written “in the constitution of the Universe.”

As has already been observed, what are called “natural law” and “natural rights” by those who propound this doctrine are really not natural rights at all, but simply and solely what certain

¹ Not only did the introduction of the practice of making slaves of captives diminish the ferocity of war, but, as Sir H. Maine points out, “one consequence of the decay and abolition of slavery was an increase of bloodshed.”—*International Law*, p. 134.

² Ritchie, *Natural Rights*, p. 104.

³ Among the Romans, under the Republic, and at the beginning of the Empire, manual labour was almost exclusively slave labour. During the Empire it was mainly slave labour, and the labourers who were not slaves were largely freedmen, men who had been slaves.

people at a particular time think law and rights ought to be. This misnamed doctrine of natural rights may be said to represent the ideal of the philosophers of the period. As to what is really desirable and expedient, opinions will vary, and that will be especially so at different stages of the world's history. The propounders of the natural rights' theory attempt to exalt their ideals (which are often wrong) at particular times into eternal and immutable laws of right and wrong.

The Only Safe Appeal

If the phrase "Natural Rights" has any intelligible meaning at all, it means those rights which ought to be recognised; and what those rights are can only be determined from the point of view of society. It is true that society has no existence except as a body of individuals. It is also true that individuals, as human beings with rights and duties, can only be understood in reference to a society. They are the product of a society, and "the rights of the individual must, therefore, be judged from the point of view of a society as a whole, and not the society from the point of view of the individual."¹ Questions of right and wrong cannot properly be considered without regard to the past that produced them and the future that is even now amongst us. As Professor Ritchie well puts it, "the adults of a community are only the trustees inheriting every moment from the old who are dying and obliged to take into account the interests of those who are being born."

The only safe appeal is an appeal to what is socially good and useful, account being taken not only of immediate convenience to the then members of a particular community, but of the future welfare of the community, not overlooking its relation to humanity as a whole. An appeal to social utility is an appeal to something that can be tested not only by individual instincts, desires, and feelings, but by experience. "History is the laboratory of politics. Past experience is indeed a poor substitute for crucial experiments, but we are neglecting our only guide if we do not use it."² It means trying to discover from what followed under past conditions what is likely to result from similar or different conditions now.

"The only 'law of nature' to which we can listen must be such as will commend itself to our reason as a statement of the principles of a coherent and orderly society which will not throw away the hard-won achievements of man in his struggle with nature and with

¹ Ritchie, *Natural Rights*, p. 101.

² *Ibid.* p. 103.

barbarism, and which will at the same time be progressive, in the sense of being capable of correcting its own faults. Any 'natural rights' which are incompatible with such a society are only another name for anarchy. 'Nonsense upon stilts' Bentham called them."¹

¹ *Natural Rights*, p. 106.

CHAPTER II

THE ORIGIN OF PRIVATE PROPERTY IN LAND

THE precise nature of the processes by, and the exact conditions under, which private and corporate ownership of land was originally brought about in various part of the world are not known. "Every one of the foundation stones of civilised society had been laid long before history was born, and nothing recorded by history, and nothing observed within our time, enables us with any certainty to clear up the mystery which surrounds the first beginnings of our race."¹ The truth is that, as Mr. Leacock puts it, the institution of the State is not to be referred back to any single point of time. Nor is it the outcome of any single idea, example, movement, or plan. The State is not an invention; it is a growth, an evolution, the result of a gradual process running through all the known history of man. "The proposition that the State is a product of history means," says Professor Burgess, "that it is a gradual and continuous development of human society out of a grossly imperfect beginning through crude but improving forms of manifestation towards a perfect and universal reorganisation of mankind."

Private Ownership an Early Stage of Settled Conditions

So far as we have knowledge, it seems clear that almost everywhere, as soon as anything like settled conditions were reached and wandering tribes attached themselves to definite spots, and specified areas became worth owning, land was held as personal or family property, and not as the property of a nation or even of the whole community, still less of the whole human race.

Whether there ever was a time or a country with a settled people who could in any real sense be said to own the land they occupied or claimed jurisdiction over, of whom it could be said that they owned it

¹ Duke of Argyll, *The Unseen Foundations of Society*, p. 101.

in common, it is impossible to say. Common occupation and common use for hunting and pastoral purposes there undoubtedly was, but common ownership in anything approaching what we understand by proprietorship has, I think, not yet been historically proved.

An idea has from time to time taken possession of the imagination of men like Rousseau, Henry George, and a certain class of minds, that property in land is contrary to nature, and that communal ownership is natural. In support of their view they have built up an imposing structure out of a series of historical errors and misconceptions largely originated and elaborated out of their own preconceived theories. Common ownership by the family has been assumed to be national communism, tenure in common has been confused with ownership in common, and village commons have been magnified into agrarian communism.

Minds which are under the influence of this idea will never allow that property may be a primordial fact, contemporaneous with the earliest cultivation of the soil, natural to man, produced by an instinctive recognition of his interests, and closely bound up with the primitive constitution of the family. They will always prefer to assume that there must first have been a period of Communism. This will be with them an article of faith which nothing can shake; and they will always be able to find authorities which can be made to support it.¹

*Private Property in Land does not arise until Agriculture begins
and Families evolve*

The evolution of the modern State cannot be ascribed to the operation of any one force. States probably usually developed from savage "packs"—having no more permanent family life than animals have—to families—households,—exemplifying it by the control of fathers over their children, then to the control of a patriarch over his descendants. From this grew tribes of kindred descent, then nations. Force, conquest, rapacity played their part all along, and strengthened and extended the power and domination of the strongest. In the early stages of family life which developed from the "packs," where the usual relations of husband and wife did not exist, various forms evolved at different times, among different peoples, in different places—the polygamic, the polyandric, the exogamic, the endogamic, and the monogamic. The last has tended to become the dominant form, although others still prevail among the least advanced peoples.

Land does not become property until it is worth possessing,
Coulanges, *Origin of Property in Land*, p. 150

and practically particular defined portions of land are not worth possessing, that is to say they are not worth any more than any other piece of land (and in savage conditions there is abundance of land available) until cultivation begins. In the infancy of the human race, agriculture, in our sense of the term, did not exist. The people lived by hunting and fishing, and afterwards by pastoral pursuits. Civilisation has never begun until agriculture commenced and private ownership or individual occupancy arose and gave security that those who cultivated the soil would reap the crop.

Nor does the idea of property in land develop until the family evolves. In the most complete forms of savagery the horde or clan is everything, and the savage is so identified with it that his individuality does not manifest itself either in the family or in property. In many of these hordes or tribes there existed no family, not even the matriarchal one. The children belonged to the whole tribe.

In those conditions the idea of individual possession, at any rate, of such a thing as land does not exist. Indeed, the savage then has no conception of individuality as distinct from the horde or tribe of which he is a part. The horde has no idea of property in land. It occupies a portion of the earth's surface. It not infrequently moves from place to place and has no idea of "owning" anything but the spot on which it is for the time being. The thought of "property" in land in anything like its modern sense does not exist. When the tribe ceases to lead a nomadic existence and erects permanent separate dwelling-houses and the family system develops, the idea of private property becomes clearer and expands as agriculture is introduced. Paul Lafargue in *The Evolution of Property* (p. 49) says :

The family, wherever or however constituted, invariably breaks up the communism of the clan or tribe. At first the clan was the common family of all its members : afterwards there came to exist private families, having interests distinct from those of the clan considered as an aggregate of a number of families : the communal territory of the tribe was then parcelled out so as to form the collective property of each family.

In those days the family was a larger group than the father, mother, and children which are usually meant by the modern use of the word. It consisted of the father, the recognised head of the family, of his wife or wives and his concubines ; of his children, his younger sons, with their wives and children, and his unmarried or unallotted sisters, altogether a considerable number.

When Cæsar landed in Kent he found that the Britons had much the same customs as the Gauls. They did not till the land : they lived on milk and flesh, and were clad in skins. They painted themselves blue, and had wives in common in groups of ten or twelve, including brothers, fathers, and sons.¹

All our sources of information as to Celtic antiquities show us the people living chiefly on the produce of their herds. Every household, even that of the low-standing Welsh taeog, is supposed to possess cows. Sheep, pigs, and goats are also constantly mentioned. . . . By the side of this chief calling appear pursuits connected with the forest and the stream—hunting, fishing, tending of bees. It would be impossible to say when the cultivation of the soil arose, and to what extent it was carried. . . . It played everywhere a more or less subsidiary part in contrast with the prevailing grazing husbandry.²

During the occupation of England by the Romans great progress was made in material culture. Comparing the time of Constantine with that of Cæsar, Dr. Vinogradoff says : “ Instead of being the dwelling-place of pastoral and hunting tribes, with a small fringe of agricultural occupation on the south-eastern border, it is extolled as an area of prosperous farming.”³

As social life advanced and civilisation in a rude form began to dawn, the family, as we now know it, evolved, and individual property took the place of family property. When the men, on marrying, left the collective dwelling for a home of their own, landed property began to be divided amongst the various branches of the family and was held in severalty.

A Modern Controversy

One of the controversies of the last thirty years amongst scholars has been the dispute as to whether in the early years of English history, after the Romans left and invading tribes from the Continent largely took possession of the country, the population consisted of free men holding land in common as the property of the community as a whole, or it consisted of serfs and tenants of large individual land-owners who were chiefs or lords.

According to those whose teaching was generally accepted from thirty to sixty years ago, all land in the beginning was common land and belonged to all : it was held and cultivated in common before it became the private property of a family or an individual : private

¹ *De Bello Gallico V.*, Sec. 14.

² Vinogradoff, *The Growth of the Manor*, p. 16.

³ *Ibid* p. 44.

property grew up afterwards out of this ancient common ownership. It was further held that the people who came over here were mostly free men of varying ranks, with a few slaves who came from parts of Europe where free communities held land in common. It was held that they continued the same system here, and that manors and the manorial system of Anglo-Saxon times was the result of the subsequent gradual and forcible subjugation of the free communities by powerful neighbours who seized the communal lands and reduced the people to a condition of serfdom and servile dependence.

That theory and the supposed facts upon which it was based were, however, severely shaken some thirty years or more ago by the researches of M. Fustel de Coulanges of Paris and Mr. Seebohm in this country. Their views have been strongly confirmed by subsequent research and discussion, and now what is known as the "mark" theory is largely, if not entirely, discredited as an explanation of the condition of things generally prevailing throughout Northern and Western Europe and England before the growth of the manorial and feudal systems.

It has come to be pretty generally admitted that there is no documentary evidence of the existence of free village communities in early England, and such allusions and reference in later records, and such traces of customs and laws as were supposed to support arguments in favour of the belief in the existence at one time of such communities, are found to be practically worthless, and to be capable of other interpretations when they are carefully examined in the light of the further information which more complete research and study have brought to light.

The Present View

In his Presidential address to the Economic History Section of the International Congress of Historical Studies held in London in April 1913, Professor W. J. Ashley commented on the change which has taken place in the views of scholars as to the early history of the ownership and tenure of land in England since Kemble, Stubbs, and Green wrote. The work of Fustel de Coulanges, Seebohm, Maitland, and Vinogradoff has shown how theories generally held as firmly established forty years ago are now untenable. From Professor Ashley's summary of what he thinks may be taken as the conclusions which have now been arrived at, we extract the following :

From the earliest historical times, in Gaul and Germany, very much

land was owned individually, and wealth on the one side and slavery on the other were always very important factors in the situation.

Even in Germany, communal ownership of land was never a fundamental or generally pervasive social institution ; there was something very much like large private estates, worked by dependents and slaves, from the very earliest days of Teutonic Settlement.

As to England, it is highly probable that we shall not find anything that can fairly be called a general communal system of land-owning, combined with a substantial equality among the majority of the people, under conditions of settled agriculture. To find it in any sense we shall have to go back to an earlier and "tribal" condition, if, indeed, we shall find it there.

Professor Ashley points out that the idea that English freemen had sunk into serfdom, and land-owning communities had fallen into subjection to manorial lords, and that the problem which the historian had to solve was how these things had come about, was an importation from Germany. "Nothing of all this had suggested itself to English historians so long as they confined themselves to English evidence : no trace of it is to be found, for instance, in the pages of Hallam."

Thus during recent years those theories as to the original ownership of land, upon which many politicians who are not also students are still basing arguments in support of their policy, have been exploded and discredited. In an interesting article Professor J. H. Morgan referred to the discussions of the authorities on this subject :

For a generation the obsession of race and its prerogatives had brooded over historical studies. Round the theory of the mark there raged a controversy as bitter as it was assiduous ; the Germanists saw modern corporations of freemen in early Teutonic village communities, Parliaments in folk-moots, juries in Saxon doomsmen, and good in everything provided it was Teutonic. The racial controversy found its echo in this country ; Stubbs and Freeman boasted our German pedigree, traced all our civilisation to its source, and refused to admit the Celtic bar sinister upon our escutcheon. Then came a reaction : Fustel de Coulanges took a terrible revenge, and in a series of brilliant monographs smote the Germanists hip and thigh, going far to prove that the early Teutons, no less than the Celts, had succumbed to the yoke of Roman institutions, and that nine-tenths of our modern villages descended in a direct line from the great Roman estates. Seebohm followed suit over here, and in a memorable monograph suggested to our ruthless Teutons that "more things went to the making of England than were imported in the keels of the English invaders." ¹

¹ *Westminster Gazette*, April 4, 1913.

Ownership and Lordship evolve slowly

As has already been remarked, the question of property in land does not usually really arise, and certainly does not become a matter of any practical importance, in a country until its people become sufficiently settled and civilised to lead them to systematically cultivate the soil. Until they become more or less an agricultural people they are usually hunters or fishermen or both, and possibly also to a limited extent keepers of sheep and cattle. Population is then sparse and unoccupied territory is plentiful, and questions of the ownership of particular tracts of land do not concern them. What does concern them is their ability to defend themselves and such possessions as they have from attack, and incidentally their power to pillage and plunder others. It is only when they take definitely and extensively to agriculture and they become permanently attached to precise areas, which they have cleared and cultivated at the cost of much labour and time, that the idea of property in land, as we understand it, takes shape and develops. Even then it develops very slowly, because so long as unoccupied and unused land is plentiful, that which is used has little or no value. Value is an essential condition of property, and nobody troubles to claim rights of property, as we understand them, in anything which is so plentiful that everybody can have all he wants of it.

There is no doubt that the source of individual ownership of land was some definite personal effort with regard to it, such as cultivation or occupation, or some original pre-eminence in the battle of life—it may be centuries ago—which was recognised and admitted by society, and has ever since been acknowledged as legitimate. It has been handed down by inheritance or transferred by purchase through generations often reaching back through many centuries, until its history becomes dim.

Primitive custom recognises certain rights in and over land: the right of the first clearer to regard the land as his own family holding; the right of a chief or freeman to a share in the territory which he helps to defend against outsiders; the right of a chief to levy tribute of those who hold land under his protection.

When the state comes into existence the family loses some of its importance; the individual chief or house father is not merely the administrator of the common inheritance: he is owner of his land: it is a thing he can sell or mortgage or dispose of by will: absolute ownership is the basis of the Roman law of ownership and possession.¹

¹ Article "Land" in Palgrave's *Dictionary of Political Economy*.

Earle in *Land Charters* says :

Of all principles of military requirement there is none as necessary or so elementary as this, that all men must be under a captain, and such a captain as is able to command prompt and willing obedience. Upon this military principle I conceive the English settlements were originally founded, that each several settlement was under a military leader, and that this military leader was the ancestor of the lord of the manor.¹

In the Saxon and Danish period as in the Norman, the chief or thane or lord was not merely the military leader. He was the local representative of authority and government ; he was the local ruler and lord, the civil as well as the military head and chief of the people and of the district ; and as the principle of " no land without a lord " became more and more clearly and firmly established and enforced in order that it all might be made to contribute its quota of men and means for national defence and general national purposes, the local lordship and sovereignty of the man in each district who was held responsible for the contribution of men and means from the area under his control, and for the maintenance of order and the administration of local justice therein, became more and more identified with ownership, and all land not definitely belonging to some one else was regarded as his, in the same way as all land over which there was no such lord and owner was regarded as the property of the king. The view was that the lord was the original owner of the whole territory occupied by the manor, and portions which did not belong to any one in particular were taken to belong primarily to him.²

From the very first stages of the English occupation of the island we have to reckon not merely with small landowners joining in townships on the shareholding system, but also with great landowners possessed of larger tracts of land and utilising them according to their wishes and notions.³

The Early Outcome of Economic and Social Conditions

M. de Laveleye, in *Primitive Property*, shows how personal and family property and private holdings would gradually grow up in the abundant waste land amongst which the widely scattered nomadic communities ultimately settled. Any enclosed land round their permanent dwellings, and any land outside the settlement which was cleared, reclaimed, and cultivated, or occupied with

¹ P. 55. ² Vinogradoff, *The Growth of the Manor*, p. 311. ³ *Ibid.* p. 221.

cattle by individuals or families, was recognised as their personal property. Only those who were industrious, enterprising, and courageous enough would clear, occupy, retain, cultivate, and defend waste land. They would become personal owners of cattle, and would gradually acquire wealth which would enable them to employ others and still further improve their position. As their power increased, and as population grew, the bravest, wealthiest, and most capable fighting men amongst them would become chiefs or a species of nobles, and the force of circumstances, often no doubt aided by force and fraud, would eventually make them the land-owners of the greater part of the district, with the more or less willing acquiescence and consent of the community amongst whom they lived and to whom they extended their protection.

In this way the no doubt communal ownership, so far as it ever existed anywhere, gradually broke down and went to pieces, and was superseded by individual ownership, especially as agriculture developed. Private property was the inevitable outcome of economic and social conditions, and the differing faculties and force of character possessed by the leading men who, from time to time, came to the front and founded territorial families.

Durgan, "one of the acutest of explorers," tells us that ownership of land by individuals is to be found at a much lower grade in the scale of civilisation than that at which communal ownership makes its first appearance. Maitland says: "There is a sense in which English law may be said to have known a full ownership of land long ages before it knew a full ownership of chattels."¹

Occupation and Use the Basis of Possession

The right of property is usually in its origin based on occupation or on labour. The theory which bases property on the occupation of what was previously unoccupied represents the actual conditions of the most primitive states of human society so far as we have knowledge of them. Possession is nine points of the law, with animals as with men. So long as other food, other articles, other locations are to be had by making an effort, it is simpler for men and animals to find what is wanted for themselves than to undertake the risk and trouble of fighting one who has got it for possession of it. When numbers increase and settled communities are formed the rights of each are settled by society, and until they are so settled there are no rights except the right of force—the power to keep

¹ *Domesday Book and Beyond*, p. 347.

what has been taken possession of,—that is to say, rights do not exist until something of the nature of organised society does.

In many of the relations of every-day life, in connection with matters in which the fundamental rights of all are equal, we recognise the right of the first occupier.

“All persons who ride in street-cars,” says Mr. Arthur Kitson, “have an equal right to a seat. *But they have not all an equal right to one particular seat.* The popular sense of justice recognises that the first man or woman who enters the car has the right to occupy the best seat. And the last comers accept the condition of having to stand, or of taking the least desirable seats, as right and proper. A man who would try to enforce his claim to a seat by ejecting another would be regarded as a violator of justice, and would be universally condemned.¹ In all ordinary affairs regarding the rights of men, public sentiment recognises the prior claims of first occupancy and use as just.”

The right of the first occupier has been recognised as a basis for the valid holding of the property, because communities have realised that it was socially convenient and beneficial that they should do so. Nations recognise the wisdom of this in their relations to each other. International law recognises the right of the first effective civilised occupier of territory which has not heretofore been occupied by another civilised power. The primitive law of nature is the law of force, and that law is modified as communities and society as a whole realise what is more beneficial and conducive to the general well-being.

The theory which bases the right of property on labour really depends in the ultimate resort on the right of possession and the fact that it is socially expedient, and is therefore upheld by the laws of society. Grotius, discussing this in the old Roman days, pointed out that since nothing can be made except out of pre-existing matter, acquisition by means of labour depends, ultimately, on possession by means of occupation.

The Importance of Security

Professor L. T. Hobhouse in *Liberalism* says :

The basis of property is social. . . . It is the organised force of society that maintains the rights of owners by protecting them against thieves and depredators. . . . Many people forget that without the organised force of society their rights are not worth a week's purchase.

¹ If there be no seat available they may have to walk and do without a ride altogether. They do not think they ought to be able to take the place of persons who were already in the car if they offered to pay an extra penny for the seat.

They do not ask themselves where they would be without the judge and the policeman and the settled order which society maintains.¹

This is true of the middle and poorer classes, but as regards the well-to-do and powerful is not the truth quite as much, if not more, the other way? Without "the organised force of society" the wealthy could and would organise to defend themselves, but the poor could not do so. Conditions analogous to those of the middle ages would prevail, and great barons would dominate the country. The poorest and weakest are the least able to protect themselves, and consequently benefit the most from the maintenance of law and order. In this connection it is important to remember that "the rightfulness of possession, on the one hand, and the sacredness of contract between individual possessors on the other, are among the very first of those foundation-stones on which society reposes."² A Celtic proverb ran: "There are three periods at which the world is worthless, the time of a plague, the time of a general war, the time of a dissolution of spoken promises."

The Antiquity of Private Ownership

That private property in land is a very ancient institution is quite certain. It did not originate with the feudal system and was not introduced into this country by William the Conqueror, as some people seem to imagine. According to the Book of Genesis land was privately owned in ancient Egypt. In the time of the famine, when Joseph was governor of the land, he bought all the cattle of the Egyptians and in return kept the people for a year. At the end of that time, the famine still continuing, the people requested him to buy them and their land for Pharaoh, and keep them, and he did so. "Buy us and our land for bread, and we and our land will be servants unto Pharaoh; . . . and Joseph bought all the land of Egypt for Pharaoh; for the Egyptians sold every man his field, because the famine prevailed over them: so the land became Pharaoh's" (Genesis xlvii. 19, 20). The Old Testament contains numerous commands and exhortations to respect private property in land: "Thou shalt not remove thy neighbour's landmark" (Deut. xix. 14). "Cursed be he that removeth his neighbour's landmark" (Deut. xxvii. 17). Job regards as exceptionally wicked the man "who removes the landmarks" (Job xxiv. 2).

There are numerous tablets among the recovered ruins of Babylon and Assyria which represent the title-deeds of property

¹ P. 189.

² *Unseen Foundations*, p. 459.

in land, giving security of possession to individual men. Others record contracts for the letting and the sale of land.¹ When Greek emigrants made settlements on territory either previously unoccupied or conquered by them, their practice was to immediately found a town and divide up and distribute the land.

The Romans had very clear and precise conceptions of the right of private property, and did as much as any other ancient people to define and protect it. Rome was one of the youngest cities of the ancient world, and, at the date of its birth, private property had long held sway in Italy.

“It appears to me,”² says De Coulanges, “exceedingly rash to maintain that the Romans had at first a system of common ownership of land. Such a statement is not supported by any ancient authority. On the contrary, early writers describe a partition of land which takes place at the very time when the city is founded; and the land thus divided becomes complete and hereditary property. Some years later the city conquers fresh territory: and again, with but little delay, it is divided into private property.”

At the first division the property was allotted to and belonged to the family: at the second it belonged to the individual. De Coulanges says: “Thus, then, the two kinds of proprietary right that the ancient world recognised are seen, one after the other, with an interval of but forty years between.” The Romans were one of the first nations to substitute individual for family property. Plato says: “Our first law must be that no man shall lay a hand on the boundary-mark which divides a field from his neighbour’s field, for it must remain unmoved” (*Laws*, viii.).

England under the Romans

It seems probable that it was during the three and a half centuries of Roman rule that England became an agricultural country. There are many indications that during that time corn was grown in considerable quantities, and it is recorded that in A.D. 360 the Romans built 800 vessels to carry corn from Britain to the cities on the Rhine which were suffering from famine.

We know that under the Romans there was private property in land, and that it was cultivated by dependants and slaves. We also know that the manorial system of the Continent in the Middle Ages is considered by many authorities to have been a direct continuation of the conditions which had prevailed under Roman rule.

¹ See Note, p. 40.

² *Origin of Property in Land*, p. 105.

It is reasonable to conclude that the Romans established in England the system of private property to which they were accustomed, and that it continued here after they left, as it did on the Continent.¹ There is certainly no evidence to the contrary, while it is pointed out that one characteristic of the English manor—the dividing of the estate into land in villenage and land in demesne, the latter being cultivated by the tenants of the former, but kept in the lord's hands—was common to the medieval manor and the Roman domain or village. Another characteristic of the English manor was the three-field system. Neither of these two characteristics was found in North-Western Germany and Jutland, where the English invaders of Britain came from. But the three-field system was found in South-West Germany which was the most Romanised part. From this it seems possible that the English invaders did not bring the manorial system with them and impose it upon a country in which communal ownership prevailed; but that they found a system of a manorial character here, and that it dated from the period of Roman rule, and that finding it they adapted it to their own methods, customs, and requirements.

Be that as it may, Maitland tells us that: "So far back as we can see, the German village had a solid core of individualism"; and "to say the least, we have no proof that among the Germans the land was continuously tilled before it was owned by individuals, or by those small groups that constituted the households. . . . To all appearance, so soon as the village was formed and had ploughed lands around it, the strips into which those fields were divided were owned in severalty by the householders of the village."²

Two things are clear. One is that there are no definite traces of free communities here, and the other is that there are unmistakable traces of what is afterwards called the manor, within 200 years after the English conquered the country. That there was a large population which was not free is also certain. In the seventh century, when land was transferred by grants, the cultivators on the soil were transferred with it as a dependent population evidently in some form of serfdom. Numerous slaves also went with it.

¹ "One very important result of the Roman occupation was undoubtedly its powerful influence in furthering private property and private appropriation of land."—Vinogradoff, *The Growth of the Manor*, p. 53.

² *Domesday Book and Beyond*, pp. 346-8.

No Substantial Evidence of Communal Ownership

The theory of the German "mark," which was assumed to mean a free community owning and cultivating its land in common, and which was further assumed to have been brought here by the Continental invaders who settled here and took possession of the country after the Romans left, has been shown to be based on a misconception. The "mark" did not mean the community, or the domain, or village, or manor. It meant a boundary, and usually the boundary of a private property. The truth is, as Professor Ashley puts it, that "early German law is throughout based on the assumption of private property in land, and not upon that of common ownership whether by a whole people or by a village group; and that whatever traces there may be of earlier conditions point to rights possessed by the *family* and not by any larger body."

"The history of the mark," says Professor Ashley, "has served Mr. Henry George as a basis for the contention that the common ownership of land is the only natural condition of things; to Sir Henry Maine it has suggested the precisely opposite conclusion, that the whole movement of civilisation has been from common ownership to private. Such arguments are alike worthless, if the mark never existed."

We must never lose sight of the fact that history is based upon documents and not upon hypotheses or flights of the imagination. When M. de Laveleye says that "the English manor has destroyed the old village community" he makes an entirely hypothetical generalisation. To imagine the manorial lord of the Middle Ages as a warrior who has forcibly set himself over a community of free men is to show that one knows nothing of the documents from the fifth to the tenth centuries, and that one has an altogether childish idea of the origin of feudalism.¹

Ownership of land in common by a family is an entirely different thing in principle and fact and results from ownership in common by all in a community or by a whole nation. Ownership by a family is co-proprietorship which is complete, absolute, and hereditary to the conclusion of all others. When it was undivided it was because the family was undivided. Legally it was in the hands of the head of the family. He was the real owner and he did what he liked with it, within the customs and usages of the community in which he lived.

¹ Coulanges, p. 129.

Even if the evidence for anything like communal ownership in settled communities were more substantial than it is, and if there be any disposition to rest any argument against private ownership, and in support of the theory of the universal right of the whole human race to the land of the earth, on the distinction between communal or corporate ownership and individual ownership, it must be pointed out that if no man can justly appropriate any portion of the earth's surface without the sanction of all other men, because all those other men have an equal right to it, it follows that a group of men are equally debarred from monopolising and appropriating as their joint property any special area of land. "It is obvious that all the arguments against individual land ownership apply to corporate land-ownership. If the rights of A, B, and C are individually *nil*, you cannot make any more of your 0 by multiplying it by three."¹ If each member of the community is a usurper, if he occupies land as his own, the community of which they are members must also be a usurper if it occupies a particular portion of land as its own and to the exclusion of other similar communities.

It is also very necessary to distinguish between tenancy, occupation, and cultivation of land in common on the one hand, and ownership in common on the other. They are and were two entirely different things. Confusion of one with the other, and the assumption that common occupancy meant common ownership has led many writers on this subject into error.

In the English manors or townships the land belonged to an individual owner and not to the community. It was a private estate, and the group of peasants who cultivated it in common were the more or less servile tenants. The only thing about it that was collective was the cultivation. It has been made quite clear, as we show in another chapter, that the terms "common," "common wood," and similar phrases, which occur frequently in documents of the ninth and following centuries, refer to a customary right of use enjoyed by tenants in common over land belonging to a lord; and that there is no evidence that the tenants were ever joint *owners* of the land over which they enjoyed such rights.

Early Traces of Private Estates and Servile Cultivators

The English evidence sustains the conclusion that very soon after the Conquest of Britain by the English, if not indeed before

¹ Huxley, p. 84.

that, the manor was the prevailing type of social organisation. Under the Romans the masses of the people in conquered countries were held as slaves. Indeed, it is probable that when the Romans came here they found the greater part of the people in a condition of serfdom and slavery to the more powerful. Cæsar tells us that this was the condition in Gaul, and Professor Ashley reminds us that "when the unconquered tribes of Ireland and Wales come within the ken of history we find among them a large class of servile cultivators below the free tribesmen."

There is much that is far from clear in the early history of dependent and servile tenures and service in England. What does appear to be clear is that there were domains or estates, the property of chiefs or nobles, on which were various grades of occupiers, tenants, or serfs, some more or less free but bound to the soil, others undoubtedly slaves. The further research is carried the more probable does it appear that Mr. Seebohm's view was correct, that the lord of the manor, instead of being a late intruder, was from the first, so far as England was concerned, the owner of the soil and the lord of those who lived on it and cultivated it: that the development has been in the main and from the first an advance from servitude to freedom, and not an elevation after long centuries of increasing degradation.

The Welsh documents which give us information as to the conditions which prevailed in the early Celtic occupation of the country show that there were free and unfree tenants of the land, and that both were bound to perform certain duties and payments; showing quite clearly that there were ownership and tenancy and rent-paying there in the very earliest time of which we have anything like historic record.

The vague idea which is sometimes asserted as an ascertained fact, that any condition lower than absolute freedom was altogether exceptional in early England is a complete delusion. Professor Ashley says: "We can hardly turn over the old English laws without seeing that this could not have been the case. Not only are there frequent references to slaves, but manumission occupies as prominent a position as in the Continental codes, was accomplished by ceremonies of a similar character, and brought with it the same consequence in the abiding subjection of the freedman to his former master. As on the Continent also, the Church interfered for the slave's protection, and endeavoured to secure for him a property in the fruits of his labour."

Theoretically, no doubt, collective ownership of land and its subsequent development successfully and in the best interests of the community is possible. Practically, it has never been done on anything approaching a considerable, still less a national, scale.

Modern Experience

Even in those vast portions of the earth which have been taken possession of and colonised by Europeans during the last century and a half, and especially during the last half or three-quarters of a century, no attempt has been made to retain possession of the land for the community as a whole. This has not been because the doctrines that land belongs to the human race as a whole ; that all have an equal right to it ; that it is as indefensible to part with it and give individuals exclusive rights over it as it would be to sell the right to let out for use light and air,—it has not been because these doctrines have not been industriously and persistently proclaimed. They have not been adopted and acted upon because in every case the people in those countries where effect might have been given to these principles have invariably found, when faced with the realities of the position and the problems they had to solve, that the path of progress, of general well-being, as well as of common sense and general convenience, lay in adopting and continuing the system of individual ownership of land which the unbroken experience of the world has shown to be the real basis of a civilised community.

All the new countries of the world which have had exceptional opportunities for putting these ideals and theories into practice have not only refused to touch them, but have gone to the other extreme. They have not only sanctioned individual ownership of land : they have given it away. Indeed they have gone further and paid people, by subsidising their passages, to go out and occupy it. They have spent large sums in appointing agents and maintaining offices and representatives, and circulating literature in order to persuade people to go out and take their land from them as a gift.

It is altogether beside the mark to talk about the ownership of land being conferred by landlord parliaments. As a matter of fact it was not. It existed long before parliaments. Indeed, it is obvious that there could not be land-owning parliaments or land-owning authorities of any kind until there existed land-owners and private ownership. In the vast territories in America, Australia, and Africa which have been newly settled during the last century

and a half, private ownership of land has been established under the most democratic auspices the world has ever known.

NOTES

The conditions which prevailed in Babylonia with regard to the personal status of the people and the ownership and tenure of land and houses were in many important particulars similar to those which existed in England two thousand years or more later. Slavery and serfdom was part of the foundation upon which Babylonian society rested. In times of famine and stress men would sell themselves to pay a debt or obtain subsistence. The slave was always fed and clothed: the free labourer could at times get neither food nor clothing.

There were various kinds of agricultural tenure. Sometimes the tenant farmed the land, found implements, seed, and manure, and paid the landlord half the produce. Sometimes the owner found implements, oxen, and seeds, and the tenant received an agreed percentage of the profits. The most common form of tenure, however, seems to have been that in which a third of the produce went to the land-owner. In those cases, according to the terms of the lease, the tenant kept the farm-buildings in repair, and even erected them if necessary. The labourers were partly slaves and partly freemen who hired themselves out at so much a month.

House property was valuable, especially if it included shops. Records of leases and agreements for letting houses are numerous. The tenant usually undertook the repair and maintenance of the premises. Most of the houses were inhabited by single families; but there were tenements or flats also.

The value of land depended on the amount of grain that could be grown upon it, and in the early days of Babylonia the owner was paid in grain by the tenant or purchaser. Later a metal currency became general, and in course of time rent was rarely paid in kind. Nearly 5000 years before the Domesday survey of William the Conqueror a cadastral survey of Babylonia was made to ascertain the valuation and ownership of the land and property for purposes of taxation. See *Babylonians and Assyrians* (The Semitic Series), by Professor A. H. Sayce.

“In European Russia village communities did not exist in the olden time; they originated and developed only out of private property, and since the sixteenth and seventeenth centuries.”—Ian St. Lewinski, in *The Origin of Property and the Formation of the Village Community*.

PART II

ECONOMIC PROGRESS AND THE OWNERSHIP AND VALUE OF LAND

“ Nothing can be clearer than the proposition that the failure of wages to increase with increasing productive power is due to the increase of rent.”

“ Unpleasant as it may be to admit it, it is at last becoming evident that the enormous increase in productive power which has marked the present century and is still going on with accelerating ratio, has no tendency to extirpate poverty or to lighten the burdens of those compelled to toil.”—HENRY GEORGE.

“ It is an instructive fact as to the power of abstract fallacies over the human mind, that the glaring disparities between many of the most notorious facts of life, and these theoretical conclusions, should not have awakened the illogical dreamer to suspect, and to detect, the verbal fallacies on which alone his theory reposes.”—DUKE OF ARGYLL.

“ There is need to guard against the temptation to overstate the economic evils of our own age, and to ignore the existence of similar and worse evils in earlier ages. . . . The pessimistic descriptions of our own age, combined with romantic exaggerations of the happiness of past ages, must tend to the setting aside of methods of progress, the work of which, if slow, is yet solid; and to the hasty adoption of others of greater promise, but which resemble the potent medicines of the charlatan, and while quickly effecting a little good, sow the seeds of widespread and lasting decay.”—Prof. ALFRED MARSHALL.

CHAPTER I

THE NATIONAL INCOME AND HOW IT IS DISTRIBUTED

Does Material Progress benefit the Masses of the People?

A STATEMENT which is very commonly made by propagandists who are of opinion that the whole social fabric of the present age is constructed on a wrong basis, is that under modern conditions the rich are growing richer and the poor are growing poorer, and that this must continue and become more and more accentuated, unless and until the particular fundamental change which they advocate is made. Some of them make this assertion the foundation of an attack upon what they describe as "capitalism." Others make it the starting-point of a crusade against land-owners and the private ownership of land.

Henry George tells us that :

Land being necessary to labour, and being reduced to private ownership, every increase in the productive power of labour but increases rent—the price that labour must pay for the opportunity to utilise its powers ; and thus all the advantages gained by the march of progress go to the owners of land, and wages do not increase.¹

Wages tend constantly to fall, the rich to become very much richer, the poor to become more helpless and hopeless, and the middle class to be swept away.²

The ultimate effect of labour-saving inventions, and of all improved processes and discoveries, is to enable land-owners to demand and labour to pay more for the use of land. . . . The wages of labour do not increase ; on the contrary, if there is any margin for possible reductions they may be absolutely reduced.³

The enormous increase in productive power . . . has no tendency to extirpate poverty or to lighten the burdens of those compelled to toil. It simply widens the gulf between Dives and Lazarus.⁴

¹ *Progress and Poverty*, p. 200.

² *Ibid.* p. 375.

³ *Social Problems*, p. 186.

⁴ *Progress and Poverty*, p. 5.

Karl Marx says :

The poor have been growing and must continue to grow poorer—the rich have been growing and must continue to grow at once fewer and richer ; whilst persons of medium income have been constantly decreasing in number, and must ultimately become extinct.

These and similar statements are constantly repeated by Socialists and others. Speaking in the House of Commons,¹ Mr. Philip Snowden, M.P., said :

The working people are getting poorer. The rich are getting richer." And again, " The rich are getting richer every day. They are getting enormously rich. They are getting shamefully rich. They are getting dangerously rich."

Mr. Harold Storey, writing in 1913, said :

" Rent is a maximum charge upon the production of wealth. The amount of it depends upon *what people have left* when they have met the other necessary costs of life at the accepted standard. The land-owner gets all the surplus." And " Once labour and capital have received the minimum that will suffice to keep them afloat, there is no limit to the amount that land can appropriate—except the limit of the wealth produced. It takes all the rest, however much that may be." ²

On the other hand, Mr. F. W. Hirst, editor of the *Economist*, in his edition (1912) of Porter's *Progress of the Nation*, says :

It is still true, as Sir Robert Giffen said in 1883 : " The rich have become more numerous, but not richer individually : the poor are to some smaller extent fewer, and those who remain ' poor ' are, individually, twice as well off on the average as they were fifty years ago. The poor have thus had almost all the benefit of the great material advance of the last fifty years." ³

Professor Alfred Marshall says :

It is doubtful whether the aggregate of the riches of the very rich are as large a part of the total national wealth, even in the United States or in England, now as they have been in some earlier phases of civilisation. The diffusion of knowledge, the improvement of education, the growth of prudent habits among the masses of the people, and the opportunities which the new methods of business offer for the safe investment of small capitals : all these forces are telling on the side of the poorer classes as a whole relatively to the richer. The returns of the income tax and the house tax, the statistics of consumption of commodities, the records of salaries paid to the higher and the lower ranks of servants of Government and public companies, tend in the

¹ December 13, 1911.

² *Economics of Land Value*, pp. 40, 41.

³ P. 167.

same direction, and indicate that middle-class incomes are increasing faster than those of the rich ; that the earnings of artisans are increasing faster than those of the professional classes, and that the wages of healthy and vigorous unskilled labourers are increasing faster even than those of the average artisan.¹

Mr. W. H. Mallock says :

The overwhelming majority of the inhabitants of this country, instead of growing ever poorer and poorer under existing industrial conditions, have been exhibiting a steady advance in respect of the means of subsistence and of comfort, which a hundred years ago would have been beyond the dreams of the wildest Utopians, and which is without a parallel in the past history of the world.²

What we want to know is, which of these two types of diametrically opposed assertions is correct ; or if neither of them is an accurate statement of the facts of the case, what is the truth of the matter ?

The National Income

The Final Report of the First Census of Production of the United Kingdom (1907) provides us, for the first time, with a large amount of extremely valuable information with regard to the output and production of this country, which renders it possible to form more detailed and accurate estimates of the income and capital of the nation than was practicable before this information had been obtained and published. It is exceedingly satisfactory to find that this great mass of entirely new official information, and the estimates which the very able director of the census, Mr. A. W. Flux, has been able to base upon it, do, to a very large extent, broadly confirm the estimates which the leading statistical authorities amongst us had from time to time made of the income and capital of the country. Their estimates were based upon such information as was available at the time they were made. The detailed statistical material which this census supplies enables us to approach the estimation of the nation's income and capital in an entirely different way, and from an entirely different point of view from that which was possible before. It is, therefore, the more remarkable that estimates which have been built up by entirely different processes, in which altogether different material was used, should produce substantially similar results. That the results are substantially similar not only tends to confirm their broad and

¹ *Principles of Economics*, p. 687.

² *Statistical Monographs*, No. 6, March 1911, p. 4

general accuracy, but also enables us to use the previous estimates for purposes of comparison with a degree of confidence which would have been impossible had the more recent estimates, which were made on the same general lines as the previous ones, been shown to be fallacious and unreliable.

The Director of the Census of Production estimates that for the year 1907 the total income of the United Kingdom was somewhere between £1,918,000,000 and £2,158,000,000, and suggests that the amount may be put approximately at about £2,000,000,000. It would occupy too much space and take us too far from our immediate purpose, if we were to yield to the temptation to analyse and discuss in detail the very elaborate and extremely instructive and interesting tables and comments thereon, which are comprised in this voluminous Report. We can only commend a study of it to those who are interested in the subject. They will speedily be convinced that the main conclusions therein arrived at are very far from being rash guesses, and that the claim made for them that they "are believed to lie within a range from which gross inaccuracy is excluded," is quite justified. For our purpose the most valuable figures are those which give the estimated income of the United Kingdom. They provide us with a basis and starting-point for the calculations and conclusions which here follow.

The figures of the Report are summarised thus :

	Million £.
Goods consumed or exchanged for services by classes engaged in production and distribution	1248 to 1408
Goods consumed or exchanged for services by classes engaged in supplying services	350 to 400
Savings and investments of all classes	320 to 350
Total	1918 to 2158
Middle figure	£2038

HOW IT IS DIVIDED

Incomes exceeding £160 a year

This middle figure of £2,038,000,000 represented what I shall take to be, in what follows, the estimated total net income of all the people in the United Kingdom in the year 1907. It will be interesting to endeavour to ascertain how it was divided. The *Annual Report of the Commissioners of Inland Revenue* is a mine of information with regard to incomes assessed for Income Tax.

From it we learn that the gross income of all kinds, brought under the review of the department in the year 1907-8 (which will best represent the year 1907) was £980,117,000. This represented the gross income of those who were supposed to have an income exceeding £160 a year. This is not the amount on which tax is paid. The Inland Revenue officials throw their net over a wide area, and at the first cast of it they get into its meshes a considerable amount of income which they have to release later. That is to say, the gross amount of income which they review is liable to deductions. For the year in question those deductions amounted to £308,804,000, leaving the net amount of income on which tax was received at £671,313,000.

These deductions are of two kinds. One class consists of (1) income belonging to persons who are not liable to tax because their total income does not exceed £160 a year; (2) income which has been over-assessed or included in error; (3) allowances for cost of repairs of property and wear and tear of machinery and plant; and (4) income of charities, hospitals, friendly societies, and municipal bodies, which are exempt from the tax. The other classes of deductions consist of (1) abatements or allowances which are made on a graduated scale on the smaller of the taxable incomes; (2) allowances in respect of insurance premiums; and (3) income on which the tax has not been recovered.

The amount of the first group of these deductions must be deducted in order to ascertain the net amount of the income of those who are liable to income tax. The second group gives the allowances in reduction of tax which are made, mainly in favour of small incomes, by reducing the amount of the income on which tax is charged. Included in this group are also what may be termed the "bad debts" of the department.

It has been necessary to mention and briefly describe these deductions in order that it may be seen that they have not been overlooked. We need not, however, further refer to those which are abatements and allowances made for the purpose of graduating or otherwise relieving the burden of the tax in certain quarters, because they are not deductions which we can make when we are endeavouring to ascertain the amount of the actual income, and not how much of that actual income is or should be taxed.

The deductions allowed by the Department which we must make from the gross amount of income which came under the review of the Inland Revenue Commissioners, in order to ascertain

the real or net income of the United Kingdom which was received in the year 1907, by persons whose total income exceeded £160 a year, are as follows :—

Exemptions in respect of incomes not exceeding £160 a year	£57,200,000
Repairs—lands and houses	39,522,000
Wear and tear of machinery and plant	20,000,000
Empty premises, over-assessments, adjusted on appeal or otherwise	52,503,213
	<hr/>
	£169,225,213

We now get the net amount of the income of persons, etc., whose income exceeds £160 a year, thus :

Gross amount of income reviewed by the Commissioners	£980,117,000
Deductions as above	169,225,213
	<hr/>
	£810,891,787

In order to arrive at the amount which persons with incomes exceeding £160 a year receive, we must also deduct the sums which are included in the gross figures for the incomes of Charities, Hospitals, Friendly Societies, and Municipal bodies.¹ For the year 1907 the amounts of income under these heads which were included in the gross income reviewed for tax were :

Charities, Hospitals, and Friendly Societies, etc.	£11,578,787
Local authorities	20,246,586
	<hr/>
	£31,825,373

After making this further deduction of £31,825,373 from the sum of £810,891,787 already arrived at, we get a net amount of £779,066,414 as the income of individuals in 1907, whose income exceeded £160 a year and was reviewed by the Inland Revenue Commissioners.

It may be said that some addition should be made to this figure for income which escapes assessment either through under-assessment or evasion. On the other hand, it is alleged that many people pay on a larger income than they really receive. It is unquestionable that, in the assessments, an insufficient allowance is made for depreciation of premises, machinery and plant, and that what is

¹ Of course, the income of these bodies which comes under the review of the Inland Revenue Authorities does not include subscriptions, Friendly Society contributions, or local rates.

really return of capital is assessed as income in such cases as leasehold investments and annuities which have been purchased. A further consideration is that, as was pointed out by Sir H. Primrose to the Committee on the Income Tax in 1906, there is a large amount of income, such as the property of clubs, institutions, and special trusts, which is assessed and taxed but is not distributed to individuals as income. These two groups of income—one consisting of income which is under-assessed or not assessed at all, and the other of return or replacement of capital which is assessed as income, and of income that is assessed but is not the income of individuals, might probably quite fairly be set off against each other. So far as it is possible to estimate them, I am disposed to think that they do about balance. We might, therefore, ignore them; but in order that we may err on the safe side, if we err at all, I propose to add about £21,000,000 to the total net income tax, income at which we have arrived, to allow for such income as may escape assessment in excess of the amounts which are over-assessed or are not the incomes of individuals, as explained above. This will give us the sum of £800,000,000 as the income of individuals whose income exceeds £160 a year.

Reverting to our original figure of the total income of the United Kingdom for 1907, as given in the Report of the Census of Production as £2,038,000,000, we now get the following division of that income :

Total income of the United Kingdom	£2,038,000,000
Income of individuals whose income exceeded £160	800,000,000
Remainder	<u>£1,238,000,000</u>

If we deduct from this remainder the amount of the income of Charities, Hospitals, and Friendly Societies, together with the income of Local Authorities, as shown above, amounting in all to £31,825,373—say £32,000,000—that remainder will be reduced to £1,206,000,000, and this is the portion of the total national income of £2,038,000,000 a year which was received by those whose incomes are £160 a year or less. Strictly we probably ought to include in this income that portion of the income of Friendly Societies, etc., which comes under the review of the Inland Revenue Authorities and has been deducted above. It may also perhaps be contended that the income of Charities and Hospitals goes to benefit the poorer members of the community practically entirely, and should also be allotted to them. On the whole, however, we think it best to treat

the whole of the £31,825,373—say £32,000,000—as a separate item which need not be allocated to any particular group.

Incomes of £160 and less

All those whose incomes do not exceed £160 a year are not working people in the ordinary acceptation of that much misused term: that is to say, they are not manual workers. They are, however, either manual workers or people who have working-class incomes, and the vast majority of them are persons who are either now working for their livelihood or are elderly people who have in the past been workers.

Several attempts have been made to separate this section of the Community into two groups—those who are manual workers and those who are not manual workers, and are sometimes described as the lower middle-class—small tradespeople, clerks, and other salaried persons, and people of independent means—and to estimate the total income of each of the two groups. For the purpose for which this book is written, it is not really necessary that those who have incomes not exceeding £160 a year should be divided into groups, and have the precise income of each group estimated. To divide the nation into those who have incomes above £160 and those whose income is £160 or less, would be sufficient for our purpose. It is, however, of some interest to note that the investigations of those who have devoted attention to this subject point to the conclusion that the income of those who are below the £160 limit but are not manual workers was about £325,000,000 a year;¹ from which, according to the figures given above, it follows that the income of those below the £160 limit who are manual workers was about £881,000,000.

The national income in 1907 would thus appear to be divided somewhat as follows:

Incomes exceeding £160 a year	£800,000,000
Incomes not exceeding £160—	
Intermediate class not manual workers	325,000,000
Wage-earners	881,000,000
Income of charities, hospitals, friendly societies and local authorities	32,000,000
	<hr/>
	£2,038,000,000

When we are comparing the proportions of the national wealth which go to the two or three great classes into which we have

¹ See p. 55 for figures two years later.

divided the people, there are some further considerations which must not be overlooked. One is that of this total income of £2,038,000,000 something like £240,000,000, say £238,000,000, represented interest on capital invested out of the country and earnings of companies, firms, and individuals in other parts of the world. That income was not in any sense earned by work-people or employees of any kind here. When, therefore, we are considering what portion of the income of the people of this country goes to this or that class, we ought to confine ourselves to that income which is produced in this country. If we do that we shall see that the income produced here in 1907 was not £2,038,000,000 but £1,800,000,000, and that of that sum £1,200,000,000, or two-thirds, went to persons whose total income did not exceed £160 a year.

The second consideration is that a considerable portion of the increase in the income which has gone to the income-tax-paying classes during the last 25 or 50 years has been an ordinary return of interest on the enormous increase in capital which has been invested by them in houses and business premises, machinery and plant, railways and numerous other undertakings during that time.

The third consideration is that a large number of those who are now in the income-tax-paying classes commenced their lives as working people, and have made their way upward in the social scale as the result of their efforts and ability. Their reward and success is really part of the reward and success which people of the working class have secured. It is not fair to take out of the class those who have won prizes and then say that the class does not get its share of prizes.

These three points are all important, and might with advantage be elaborated and discussed. I must, however, content myself with merely mentioning them, so that they may be borne in mind.

Some Comparisons with the Past

It will now be useful and interesting to tabulate the more important of the estimates of the income of the country, and the proportions in which it was shared by various classes, which have been made by statistical authorities from time to time.

	Total income.	Income above tax exemption limit.	Income below tax exemption limit.	Of those below exemption limit.		Authority.
				Intermediate class.	Wage-earning class.	
	£	£	£	£	£ in millions	
1688	43	...	...	...	...	Davenant and Gregory King
1740	64	...	...	...	...	Decker
1783	200	...	...	...	...	Giffen
1800	230	...	...	...	78	Mulhall
1812	431	...	...	...	...	Colquhoun
1835-40	515	250	265	94	171	Giffen
1851	646	272	374	132	242	Levi
1864	814	370	444	...	...	"
1867	961	423	538	120	418	"
1867	814	396	418	94	324	Baxter
1875	1200	...	...	...	...	Giffen
1881	1168	577	591	143	448	Levi
1883	1270	602	668	118	550	Giffen
1883	1274	613	661	140	521	Levi
1888	1300	660	640	...	...	Mallock
1891	1600	...	...	...	...	Bowley
1903	1750	...	...	...	...	Giffen
1904	1710	830	880	225	655	Money
1907	1800	880	920	220	700	Bowley
1907	1945	880	1065	325	740	Bowley ¹
1907	1804	909	935	232	703	Money
1907	1964	672	1292	...	...	Mallock
1907	2038 ²	800	1206	325	881	Whittaker

¹ Revised estimate in 1913 before Report of Census of Production was published.

² Including £32,000,000 income of Charities, Friendly Societies, and Local Authorities, which is excluded from the subdivisions into which the total income is afterwards divided.

Recent Previous Estimates

The great value of the Census of Production with regard to its bearing on the question we are considering is that it provides us with material for ascertaining and gives us an official estimate of the total income of the whole nation from all sources, based on entirely new information which has been supplied in returns officially obtained from practically every producer in the country. The only persons from whom returns were not obtained were extremely small people, the enormous majority of whom were workers on their own account. The net value of the output of these workers is estimated and included in the total.

We thus get a far more reliable figure representing the total income of the nation than has been available before, and if we take that as our starting-point, we are on fairly firm ground. The figures supplied by the annual reports of the Inland Revenue Commissioners, supplemented by explanations and estimates which officials of the

department gave before the House of Commons Committee on the Income Tax which sat in 1906, do not leave much scope for manipulation and difference of opinion as to the total amount of income which is received by persons whose income exceeds £160 a year. When we get that figure a simple sum in subtraction supplies us with the total income of those whose incomes are £160 or less.

Nevertheless, able statisticians who approach these returns with strong preconceived opinions are apt to strain the facts in their own favour. Two illustrations of this may be given because it will afford an opportunity of explaining the difference between the figures here arrived at and those of some other recent estimates.

Mr. Chiozza Money and Mr. W. H. Mallock have, in recent years, dealt fully and frequently with this question of the nation's income and its division amongst the various classes of which our population consists. They approach the question from precisely opposite points of view ; and the very different conclusion which each of them derives from the same facts and figures, indicates how opinions influence judgment.

For instance, Mr. Money estimates that in the year 1907-8 the net income of persons whose income exceeds £160 was £909,000,000. Mr. Mallock on the other hand, using the same returns, arrives at £672,000,000 as the correct amount.

Mr. Money expands his figures by adding 85 millions to the Inland Revenue returns as his estimate of under-assessment and profits which escape tax, while he omits to set off against this amount the over-assessments the tax on which is not recovered by those who pay it, the insufficient allowance for depreciation, the inclusion of replaced capital as income, and the income of Charities, Hospitals, Local Authorities, Institutions, Public Trusts, etc., which are not incomes of individuals.

Mr. Mallock cuts down his figures by deducting for repairs and renewals of all kinds the sum of £165,000,000, whereas the sum shown under these heads in the Inland Revenue returns is £58,500,000. A very large proportion of the difference between these amounts had been included in the accounts of the various individuals, firms, and companies before the gross amount of their income, which came under the review of the Commissioners, had been arrived at. The balance may very well be set off against under-assessment, etc., which Mr. Money adds, and Mr. Mallock does not.¹

¹ Mr. Money adds the items which will increase the amount of his estimate of the Income Tax paying classes and omits to deduct the items which would counter-

It is not unusual for the errors and exaggerations on opposite sides to so nearly counteract and balance each other that the truth lies almost exactly midway between the two. It appears to be so in this instance. The mean of the two widely different amounts arrived at by Mr. Money and Mr. Mallock in their estimates of incomes exceeding £160 in 1907 is £790,000,000. The figure at which I have arrived, as shown in the preceding pages, is £800,000,000.

As the result of the publication of the complete returns of the Census of Production, Messrs. Money and Bowley now have to deal with a total income for 1907 at least £200,000,000 larger than they estimated, and as they had already stretched the amount which they put down to incomes exceeding £160 beyond what seem to be legitimate limits, it is difficult to see how they can avoid adding the extra £200,000,000 to their estimate of the income of those whose incomes do not exceed £160. If they do that their figures will approximate much more closely to those at which I have arrived.¹

That Mr. Bowley and Mr. Money estimated the amount paid in wages much too low when they fixed it at £700,000,000 for 1907, is indicated by the fact that Mr. Bowley himself estimated the amount at £705,000,000 in 1901. Six years of growing population and improving trade would make a great difference. In 1903 the Board of Trade estimated the then wages bill at between £700,000,000 and £750,000,000, according to the state of employment, and, as we have just stated, the Census of Production discloses the fact that a much larger total income than was then anticipated has to be accounted for. As the income of the income-tax-paying classes is now pretty thoroughly investigated and ascertained by the Inland Revenue Authorities as the result of long and widespread experience and very complete organisation, it is practically certain that it is the income of the non-income-tax-paying classes which has been under-estimated, and that the figures at which I have arrived do not leave room for serious error.

A special Committee of Statisticians and Economists appointed

balance the addition. Mr. Mallock reverses that procedure and deducts a very large amount which ought not to be deducted, while he omits additions which might be made.

¹ In the *Economic Journal* for March 1913, Prof. Bowley gave a revision of his 1910 estimate for 1907. He added £100,000,000 to the income of the intermediate class—below £160 and not manual workers—as the result of the inquiries of the Committee of the British Association of which he was a member. He also increased his estimate of the income of manual workers by £40,000,000. This was before the Report of the Census of Production had appeared. That Report suggests the necessity for a further addition.

by the British Association to investigate the amount of the income of the people, other than wages, below the Income Tax exemption limit reported ¹ in the autumn of 1910. They arrived at the conclusion that in 1909 this intermediate group contained 4,000,000 to 4,100,000 persons whose aggregate income from all sources was between £300,000,000 and £370,000,000 a year, and they thought the most probable estimate for that year was £335,000,000.

This estimate indicated that, allowing for the difference in date, Mr. Bowley's estimate of the income of this class in the year 1907 at £220,000,000 and Mr. Money's for the same year, at £232,000,000, required increasing by about 50 per cent.

Movements in the Distribution of Income during the Last Century

Reliable, detailed, and complete estimates of the income of the nation at the beginning of last century are not available: but there is a good deal of partial and varied information in existence upon which an approximation to the broad facts of the position at that time, may be based. Sir Robert Giffen thought that the total income in 1783 could not exceed £200,000,000. Mulhall publishes an estimate of the income in 1800 which places the total income at £230,000,000, of which £78,000,000 is estimated to be the income of the wage-earning classes. Another estimate in 1805 gave the total income as £250,000,000. The income-tax schedules for 1803 gave a total income for Great Britain above £60 a year, which was then the limit of exemption, of £115,351,000. Calculations based on the known rates of wages at that time indicate that the income of those who had less than £60 a year would be about £75,000,000. This would give a total income of £190,000,000 for Great Britain. If we add one-fifth to this for Ireland we get a total of nearly £230,000,000. If, to be on the safe side, we make allowance for under-assessment and under-estimates, and place the total income for the United Kingdom in 1800 at £250,000,000, of which we take £120,000,000 to be incomes above, and £130,000,000 to be incomes below, £160 a year, we shall probably not be far from the mark.

From Sir Robert Giffen's figures for 1835-40 onward, we have a number of more complete estimates from which we may select the following for representative periods:

¹ *Journal of the Statistical Society*, Dec. 1910.

	Total income.	Above tax exemption limit.	Below tax exemption limit.	Divided into		Population.
				Inter-mediate class.	Wage-earning class.	
	£	£	£	£	£	In millions.
1800	250	120	130	...	...	15.8
1835-40	515	250	265	94	171	20.9
1851	646	272	374	132	242	27.4
1867	961	423	538	120	418	...
1883	1270	602	668	118	550	35.4
1907	2038 ¹	800	1206	325	881	43.7

¹ £32,000,000 income of Charities, Friendly Societies, and Local Authorities is included into the total, but is not included in any of the subdivisions.

We can now test the accuracy of the statement that the rich are growing richer and the poor are growing poorer.

Comparing 1835-40 with 1907 the increase in the total income of the nation was 295 per cent. The increase in the incomes not exceeding £160 was 355 per cent. Comparing 1883 with 1907 the increase in the total income was 60½ per cent, the increase in incomes of £160 and less was 80½ per cent.

The incomes of £160 and less increased at a far greater rate than did those above £160. Between 1840 and 1907 the larger incomes increased 220 per cent, the smaller ones increased 355 per cent. Between 1883 and 1907 the larger incomes increased 33 per cent, the smaller ones increased 80½ per cent.

In 1835-40 the incomes of £160 and less were as much in total amount as the income of the whole nation was in 1800.

In 1867 these smaller incomes were as much as the total income in 1835-40.

In 1883 these smaller incomes were more than the total income in 1867.

In 1907 the smaller incomes were as much as the total income in 1881.

Between 1841 and 1907 the total population increased 109 per cent, the incomes below £160 increased 355 per cent.

Between 1883 and 1907 the population increased 23 per cent, the smaller incomes increased 80 per cent.

The incomes of the people with £160 a year or less increased at a vastly greater rate than the population did: which, of course, is only another way of saying that the income per head of that part of the population increased very considerably.

Another way of illustrating the meaning of these figures is to state them in the form of the average income per head and per

family. We are not able to give the number of persons whose incomes were respectively above and below £160. We can, however, exclude altogether the income of those who have more than £160 a year, and divide the income of those who have £160 or less amongst the whole of the population. The average amount this will show per head and per family will, of course, be much less than the actual average income per head and per family received by those who have £160 or less, because by this calculation we are spreading the income of the smaller people over a larger number of persons than actually receive it. The real position is, therefore, much better than the one these figures disclose. Though much understating the position, they are of value because they indicate the nature and the proportions of the progress that has been made.

The following table, therefore, shows the average amount per person and per family which the total income which was received by those whose incomes were £160 or less would have given if it had been divided amongst the whole population instead of being limited to those who really did receive it :

Year.	Per Head.	Per Family.
1800	£8 4 0	£36 18 0
1840	£12 13 0	£56 18 0
1883	£18 17 0	£84 16 0
1907	£27 12 0	£124 4 0

(For the purposes of this calculation, the average family throughout has been taken to consist of $4\frac{1}{2}$ persons.)

CHAPTER II

THE TREND OF WAGES

IN the discussion upon which we are now engaged, we are not concerned with the movement of wages and incomes or the lack of such movement during short periods. We are looking at broad general tendencies and results and not at temporary and intermediate fluctuations. What we desire to know is—has the great increase in the wealth of this country, which has taken place in the last 100 or 125 years, gone almost exclusively to the rich or to the poor or to the middle class, or has it been pretty generally spread over all classes, and if any class has had a larger proportionate share than the others, which class is it that has had this advantage? Nor are we concerned just now to discuss the equity of the distribution of the wealth which has been created. Our object, first and foremost, is to ascertain the facts; to learn and state, as far as possible, precisely what has taken place.

We have seen that an examination of the information available with regard to the income of the nation as a whole, and that portion of it which is received by persons who have more than £160 a year, shows that the income of persons who have less than £160 a year has not only increased very much during every quarter of the last three-quarters of a century, but has also increased at a greater rate than the population, and at a greater rate than the incomes of those who have more than £160 a year. What we desire to know now is—does the other information which we possess with regard to the position and condition of the great mass of the people sustain and confirm or throw doubt upon or disprove this conclusion?

The fact that wages have increased very much during the last 60 or 70 years is notorious, and the evidence for it is overwhelming. The movement has, however, varied much. In some trades it has

been much greater than in others. The particulars which follow relate to England and Wales unless otherwise stated.

A criticism which is sometimes made of comparisons which show the increases in wages during the last 60 or 70 years is, that we are taking as a starting-point a period of extreme depression and distress—"the hungry 'forties." It is true that the period from 1790 to 1850 was abnormal. The French wars and the resulting heavy taxation and the bad harvests during the first thirty years or more of that period produced conditions of stress and poverty which it took another thirty years to recover from. During the greater part of that period everything was so abnormal that the statistics of it are of little value for comparative purposes; and most of those which I give begin when the clouds were lifting and better times were dawning. It is true, therefore, that the comparison of present conditions is made with times that were bad. It is also the fact, however, that bad though things were in the 'forties, they were better than they were in the 'twenties; and if the comparison be carried further back it will be found that such information as we have shows that as compared with the period, say 1750 to 1790, the conditions in 1850, where most of our comparisons begin, shows a great improvement. Mr. Bowley¹ thinks that wages generally increased from 50 per cent to 100 per cent between 1780 and the battle of Waterloo.¹ After that there was more or less stagnation, with times of severe depression, for forty years. Then an upward turn came, and it has been permanent and largely continuous. Mr. Bowley² thinks that the following index numbers—taking 1890-99 as 100—indicate the movement of money wages generally between 1780 and 1900:

1780-90	.	.	.	40
1790-1800	.	.	.	45 to 50
1800-10	.	.	.	55 to 65
1810-20	.	.	.	65 to 70
1820-30	.	.	.	65
1830-40	.	.	.	60
1840-50	.	.	.	60
1850-60	.	.	.	65
1860-70	.	.	.	75
1870-80	.	.	.	95
1880-90	.	.	.	90
1890-99	.	.	.	100

¹ *Wages in the Nineteenth Century*, p. 125.

² *Ibid.* p. 126.

From the point of view of the immediate purpose for which I have collated the facts and figures which follow, the criticism to which I have just referred is irrelevant. The statement, the truth of which I am investigating, is that material prosperity does not increase wages, does not benefit the working classes, but only increases the value of land and adds to the wealth of land-owners; that the rich become richer and the poor become poorer. The thirty years from 1815 to 1845 were a bad time for everybody. Land-owners, farmers, agricultural labourers, and the people of the industrial manufacturing districts all suffered severely. But taking it as a whole the period from 1850 to the present time has been one of great material progress and prosperity. That is the time then during which we can test the accuracy of the statements which are under consideration. Is it or is it not the fact that during that period material prosperity has only increased the wealth of the land-owners, and that the working classes have, as the result of it, become actually or relatively poorer?

Wages of Agricultural Labourers

Of the great industries agricultural wages are the lowest, and over the century probably show the least improvement. Agricultural produce reached high prices during the great French war, and wages rose rapidly from 7s. 6d. per week in 1767-89 to 12s. 9d. in 1811-15—70 per cent in 21 years. After that prices fell heavily, labour was plentiful and distress and disturbance prevailed very widely. The lowest point was touched about 1822 when wages fell to 7s. 6d. The conditions were intolerable, and poverty, pauperism, and poor rates increased in every direction. As the country gradually recovered from the cost and drain of the great war and manufacturing industries increased, the demand for labour grew and agricultural wages slowly rose again. The following were the average rates:—

1834	9s. 4d.	|	1892	13s. 5d.
1837	10s. 4d.	|	1898	14s. 5d.
1860	11s. 7d.	|	1902	14s. 8d.
1867-71	12s. 3d.	|	1908	15s.

These wages do not include such allowances as garden, cheap cottage, etc. The Board of Trade, which made extensive investigations and published elaborate reports, estimated that if allowances for cottage, garden, etc. were included, the average agricultural

wages in 1902 would be in England 18s. 4d., Wales 18s., Scotland 19s. 7d., and Ireland 11s. 3d. per week.

It is sometimes said that agricultural wages are less now in proportion to the necessaries of life than they were in the fifteenth century, and that the position of labourers is worse now than it was in the time of Henry VII. In the first place it must be remembered that for a century or more after the population had been decimated by the Black Death, conditions were special owing to the scarcity of labourers, and that a comparison with that abnormal period is somewhat misleading. In the second place these comparisons are based on Thorold Rogers's very valuable researches, and in some respects his estimates and conclusions from the facts which he published are open to criticism and qualification. If wages be measured by the labour value of wheat—that is by the amount of wheat that the pay for a day's labour would purchase—there has been an improvement since Henry VII.'s time. Professor Alfred Marshall says :

It would appear that agricultural wages have been generally below a peck of wheat a day ; but that in the first half of the eighteenth century they were about a peck, in the fifteenth century a peck and a half, or perhaps a little more, while now [1907] they are two or three pecks. Professor Rogers's estimates for the middle ages are higher ; but he seems to have taken the wages of the more favoured part of the population as representative of the whole. In the middle ages, even after a fairly good harvest, the wheat was of a lower quality than the ordinary wheat of to-day ; while after a bad harvest much of it was so musty that nowadays it would not be eaten at all ; and the wheat seldom became bread without paying a high monopoly charge to the mill belonging to the lord of the manor.¹

In the generation preceding the Revolution agricultural wages were generally 4s. a week and in some districts 5s. The wages of men in the staple manufactures was 6s. a day. Gregory King estimated that half the working people had animal food twice a week, and a half of them not oftener than once a week. King and Davenant thought that nearly one-fourth of the population was in receipt of poor relief.

Peyps tells us that in 1663—two years before the plague—at the Lord Mayor's Banquet in the Guildhall in the City of London, only the Lords of the Privy Council and those at the Lord Mayor's table had knives. The other guests had neither knives nor napkins.

¹ *Principles of Economics*, p. 675.

They drank out of earthen pitchers, and had wooden dishes, and there was no change of trenchers.

Sir John Caird said that in 1878 as compared with the time of Queen Elizabeth wages had increased sixfold, while the price of bread had only doubled. In 1770 the farm labourer's wages were 1s. 2d. a day, and the price of wheat was 46s. a quarter. In 1878 wages were 60 per cent higher than in 1770 and wheat was the same price. "In other words, the labourer's earning power in procuring the staff of life cost him five day's work to pay for a bushel of wheat in 1770, four days in 1840, and two and a half days in 1870."¹

These figures are confirmed by the following, which Mr. Bowley gives for Sussex,² in which he translates the labourer's weekly wage into pecks of wheat at the market price of the year :

	Wages.		Pecks of Wheat purchasable.
	s.	d.	
1770	8	6	5·7
1793	9	6	6·0
1795	10	6	4·5
1813	13	0	4·0
1821	9	0	5·0
1822	8	0	5·6
1824	9	6	4·7
1827	10	0	5·4
1830	11	0	5·5
1831	12	0	5·8
1833	10	0	6·0
1834	10	0	7·0
1836	10	0	6·6
1840	10	0	4·8
1851	10	6	9·0
1860	11	7	7·0
1870	12	2	8·3
1872	13	4	7·3
1880	13	6	10·0
1885	13	6	13·0
1887	12	0	12·0
1892	12	0	12·7

This table emphasises the badness of the times from 1795 to 1840. Miserable wages and high prices created starvation conditions. After that there was some improvement ; but there will have to be a considerable advance in many districts before the conditions can be contemplated with any approach to satisfaction.

Professor Leone Levi in 1885 said that in 1831 a single hind in Northumberland got 11s. a week ; in 1880 he got 18s. a week.³

¹ *The Landed Interest*, p. 65.

² *Wages in the Nineteenth Century*, p. 40.

³ *Income of the Working Classes*, p. 10.

The late Mr. Wilson Fox, in summarising the results of the most prolonged and painstaking official investigation that was probably ever made in this country into the wages and conditions of life of the agricultural labourers, and comparing the position in 1903 with 1850, said that in 1903 their wages were higher and their employment more regular. They were better off than when they had the assistance of their wives and children, and had to sacrifice the comfort of their homes and the education and prospects of their children. The necessaries of life were cheaper in 1903 and rents were scarcely any higher, though their houses were better. Their homes were better furnished and they and their families were better fed. Their work was less arduous, education was free.¹

Wages in some other Trades

In *A General Description of all Trades*, by Mr. T. Waller, which was published in London in 1747, the following rates of wages and hours of work in the building trades are given. We add to them the corresponding rates and hours for London in 1912. The average provincial rates of wages would be about 10 per cent less :

	1747.		London, 1912.	
	Wages.	Hours.	Wages.	Hours.
Bricklayers day	2s. 6d. to 3s. 6d.	6 to 6	10½d.	50
Bricklayers' labourers . . ,	1s. 8d. to 2s.	,,	7d.	50
Carpenters and joiners . week	15s.	,,	10½d.	50
Masons ,	15s. to 18s.	,,	10½d.	50
Plumbers ,	15s.	,,	11d.	50

Mr. Bowley² gives the wages of Manchester carpenters, bricklayers, and labourers thus :

	1793.	1810.	1823.	1832.	1840.	1859.	1883.
	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.
Carpenters	18 0	25 0	22 0	24 0	27 0	28 0	36 4
Bricklayers	18 0	22 6	21 0	18 6	27 0	31 6	38 7
Labourers	13 6	15 9	14 0	12 0	18 0	19 6	25 0

Professor Leone Levi, writing in 1885, gave the movement of wages in the cotton trade among the classes of workers named, as follows :³

¹ *Journal of Statistical Society*, June 1903, p. 309.

² *Wages in the Nineteenth Century*, pp. 60, 62.

³ *Income of the Working Classes*, p. 53.

	1850.	1860.	1865.	1876.
Spinners (men) . . .	20s.	27s.	30s.	35s. to 40s.
Carders	20s.	28s.	35s.	32s. to 40s.
Grinders	14s.	17s.	26s.	25s. to 28s.

In a paper which he read before the Social Science Congress at Birmingham in 1884 he estimated that, taking the total income of the family, the working classes were in receipt of 30 per cent more in 1884 than in 1857.

Comparing the earnings of the working classes in 1883 with those in 1835-40, Sir R. Giffen,¹ writing in 1886, estimated the number and income of the manual labour class as follows :

	Number.	Income.	Per head.
1835-40	9,000,000	£171,000,000	£19
1883	13,200,000	£550,000,000	£41½

In the results of a prolonged and careful investigation published in the *Journal of the Statistical Society* three or four years ago, Mr. G. H. Wood showed that wages in the great Lancashire Cotton industry had doubled during the last 70 years, and the hours of work had been reduced by 30 per cent. In the Manchester district the wages of spinners rose from 21s. 8d. in 1841 to 41s. 5d. in 1906. Those of piecers more than doubled and weavers' wages nearly doubled. In Oldham spinners rose from 24s. to 41s. 10d. In Bolton weavers rose from 10s. 1d. in 1851 to 18s. 4d. in 1909. The average wage of all occupied in the trade rose between 1833 and 1906 from 10s. 7d. to 19s. 5d. in Ashton, from 10s. 11d. to 19s. 2d. in Stockport, from 8s. 3d. to 18s. 6d. in Preston, from 8s. 9d. to 20s. 8d. in Blackburn, and from 9s. 2d. to 19s. 6d. in Rochdale, Bury, Bacup, and Todmorden.

Mr. F. W. Hirst, of the *Economist*, in *Porter's Progress of the Nation* (1912),² gives the following table of the index numbers of wages in various occupations, taking as the standard of 100 the wages paid in the years 1898-1902. The last column in the table shows the average of all the trades named after adjusting the figures to the proportion of the numbers employed in each trade :

¹ *Essays*, second series, p. 463.

² P. 51.

	Agricultural.	Building.	Engineering.	Iron and Steel.	Mining.	Cotton.	Furniture.	Average allowing for numbers.
1848-52	65	59	69	63	60	55	66	67
1858-62	77	68	74	65	67	67	71	72
1868-72	85	77	79	74	72	79	81	81
1878-82	94	88	86	78	70	84	92	87
1888-92	92	90	91	82	88	90	93	91
1898-1902	100	100	100	100	100	100	100	100
1903-7	103	101	100	103	95	105	100	102

These figures show an increase in the average wage of 50 per cent in fifty years and 17 per cent in twenty-five years.

In 1908 Mr. W. T. Layton gave the results of an interesting inquiry he had made into the movement in the wages of domestic servants during the previous 80 years. Taking the average wage in 1900 as 100, the index numbers based on the average wage in previous five-year periods came out as follows :

1823-27	. . . 42	1873-77	. . . 77
1833-37	. . . 50	1883-87	. . . 88
1843-47	. . . 59	1893-97	. . . 96
1853-57	. . . 58	1898-1902	. . . 100
1863-67	. . . 63	1903-1907	. . . 103

This shows an increase of roughly 145 per cent in 80 years, 75 per cent in 60 years, and 33 per cent in 30 years.

The Labour Department of the Board of Trade publishes the following index numbers of the rate of wages in various trades, from which the course of wages in the United Kingdom from 1874 to 1912 may be seen. A column is added of the index numbers of the prices of forty-five representative commodities adjusted to the Departments' estimate of their consumption. The wages and prices of 1900 are taken as the base year and equal 100 :

	Building.	Coal Mining.	Engineering.	Textiles.	Agriculture.	Prices of Commodities.
1874	84.11	88.90	88.77	106.67	93.22	148.1
1880	85.55	61.45	88.05	89.78	91.53	129.6
1885	84.45	63.10	89.96	90.22	90.40	107.7
1890	86.67	85.85	92.68	95.12	90.96	104.0
1895	92.22	72.54	93.18	94.97	92.66	91.0
1900	100.00	100.00	100.00	100.00	100.00	100.0
1905	100.00	81.02	100.05	102.67	101.41	97.6
1910	100.00	89.65	102.03	107.11	102.26	108.8
1911	100.00	88.83	103.26	107.11	102.26	109.4
1912	101.11	93.80	104.24	110.67	105.08	114.9

The Labour Department of the Board of Trade published returns giving the average wages of adult men for a full week's work, which showed that between 1886 and 1906 the wages in the trades named below had increased at the following rates per cent :

Cotton	increase 22 per cent.
Woollen and worsted	„ 15 „
Gas works	„ 18 „
Municipal employment	„ 19 „
Rural authorities	„ 16 „
Pig iron	„ 30½ „
Engineering	„ 26 „
Shipbuilding	„ 23 „

With regard to meat, clothing, and housing, Professor Marshall says that the working classes now probably consume more meat than at any other time in English history ; that clothing is much cheaper ; and that the popular belief that house rent has risen appears to be due to an imperfect acquaintance with the way in which our forefathers were really housed.¹ Of course this does not mean that there is not much that is terribly unsatisfactory now, and that improvement is not urgently needed. For the moment we are only dealing with the question of comparative conditions.

The modern suburban artisan's cottage contains sleeping accommodation far superior to that of the gentry in the middle ages ; and the working class had then no other beds than loose straw, reeking with vermin, and resting on damp mud floors. But even these were probably less unwholesome when bare and shared between human beings and live stock than when an attempt at respectability covered them with rushes, which were nearly always vile with long accumulated refuse.²

Effect of Changes in Grades and Occupations

When rates of wages are being considered in connection with the progress of the nation, and the conditions and position of the masses of the people at various periods, there are other points than the actual rates of wages paid in given trades for specified grades of work, and the cost of living, to be borne in mind. During the last half-century there has been a great change in the standard of occupations in which the people have been employed. In all trades there are grades of employment and wages. If the proportion of the total number employed is larger in the higher and better-paid grades and smaller in the lower and worse-paid grades than it was, there will be a considerable increase in total and average

¹ *Principles of Economics*, pp. 676-7.

² *Ibid.* p. 676.

earnings, even if there has been no advance in the rate of wages in each grade. The result is the same if the proportion of persons employed in the better-paid trades has increased and the proportion in the less well-paid trades has diminished.

This is what has taken place: the increase in the number of workers in the higher classes of trade has been such as to cause the average wage of all labour to rise much faster than the average of representative wages in each trade. Professor Marshall illustrates this by taking the case of 1000 persons working in the numbers stated at the wages named:

500 in grade A at 12s. a week	}	average wage, 20s.
400 " B " 25s. "		
100 " C " 40s. "		

If the trade changes and develops so that the numbers in the various grades become as follows, the result will be:

200 in grade A at 12s. a week	}	average wage, 28s. 6d.
400 " B " 25s. "		
400 " C " 40s. "		

There would be an increase in the average wage of 8s. 6d. per week without any increase being made in the rate of wage of any grade.

There are fewer persons in proportion to the whole engaged in the poorly-paid occupations and more in the better-paid ones than was the case half a century ago. The following particulars are for the years 1881 and 1901, thus covering a period of 20 years. The figures give the number of males of 10 years of age and upwards out of every million males of those ages who were employed in the industries named in 1881 and 1901, in England and Wales:

	TABLE I.	1881.	1901.
Government, local or national		10,373	14,149
Commercial, merchants, clerks, etc.		33,112	43,734
Conveyance, railways, etc.		83,985	102,844
Coal mines		40,657	52,824
Metals, machines, etc.		83,221	96,196
Building		81,925	92,811
Paper, printing, etc.		12,499	15,498
Wood and furniture		17,368	19,202
Chemicals		6,696	8,401
Food (not drink or tobacco)		7,296	11,201
Gas, water and sanitary service		2,696	5,637
Electricity and electrical apparatus		268	4,114
		380,196	466,611

	TABLE II.	1881.	1901.
Agriculture		138,327	95,510
Fishing		3,157	1,955
General labourers		59,791	131,235
		201,275	131,235

From Table I. we learn that out of every million males of 10 years of age and upwards there were in the occupations there named 86,000 more employed in 1901 than in 1881.

From Table II. we learn that out of every million there were 70,000 fewer employed in the occupations there named.

As the total number of males of 10 years of age and upwards in England and Wales in 1901 was 12,134,259, we may multiply the above figures by twelve in order to ascertain, roughly, the number of persons employed in each group of occupations. We shall then find that the number of persons employed in the occupations named in Table I. in 1901 was 1,032,000 ($86,000 \times 12$) more than it would have been if the proportion of the males of the country so employed had been the same as it was in 1881. We shall also find that the number of persons employed in the occupations named in Table II. in 1901 was 840,000 ($70,000 \times 12$) less than it would have been if the proportion of the males of the country so employed had been the same as it was in 1881.

What the facts illustrated by these selected occupations really mean is that during the 20 years 1881-1901 a very large number of people or their children left or never entered such poorly paid occupations as agriculture, fishing, and general labouring, and became engaged in some one or other of the more remunerative occupations, similar to those named in Table I. That transfer alone meant a considerable increase in earnings, apart altogether from the increase in the rate of wages which was obtained in practically all those industries.

The tables we have given illustrate the movement which took place in 20 years. It has been going on for three-quarters of a century indeed, we should not be wrong if we said it had been noticeable for 125 years. It has, however, been particularly marked and important during the last 40 years. No mere tabulation of the rates of wages paid in various grades of particular trades over stated periods, and no index numbers based merely on those rates, covers or discloses this extremely important phase of the wages problem. Unless we have particulars of the number of

persons employed at each different rate at the various periods which we are comparing, mere statements of the rates paid in the various grades and in the various trades are of limited value, and may easily prove quite misleading.

Mr. Wood's Valuable Tables

Mr. G. H. Wood has published¹ the results of an exceptionally elaborate and painstaking attempt to ascertain the average rate of "real" wages of manual workers in a number of the principal trades of the country combined, for quinquennial periods from 1850 to 1902.

The "real" wage is obtained by adjusting the actual money wage to the changes which took place in its purchasing power. That is to say, the cost of food, rent, and other necessaries is taken into account. The "real" wage is the actual money wage expressed in the price of the commodities it would purchase.

Another important adjustment is made in order to show the effect which the "grading up" of labour has had on wages. The average rate of wages is based, first, on the supposition that the same proportion of the total number of workers was employed in the same grade throughout the whole period; and, second, on the actual numbers employed in the various grades during the five-year periods.

Mr. Wood further calculates these wages on two other bases: one on the supposition that full time was worked, and the other after allowance has been made for the average lost time in each trade. In each case the result is given in money wages and in index numbers. The average wage actually earned in 1850 is assumed to have been 20s. a week; and for the index numbers that wage is taken to represent 100. Mr. Wood publishes elaborate tables, and the following is a summary of the result of his investigations and calculations:

¹ *Journal of the Statistical Society*, March 1909.

	Full Work.						Allowing for Lost Time.					
	Allowing for Change in Grade.			No Change in Grade.			Allowing for Change in Grade.			No Change in Grade.		
	s.	d.	Index No.	s.	d.	Index No.	s.	d.	Index No.	s.	d.	Index No.
1850-54	21	0	101	20	8	101	20	2	97	20	0	97
1855-59	22	6	98	22	0	96	21	2	92	20	6	90
1860-64	23	4	107	22	2	102	22	0	100	21	2	97
1865-69	26	0	114	24	2	106	24	6	108	22	8	100
1870-74	29	0	125	26	8	114	28	4	122	26	2	113
1876-79	30	0	135	27	2	122	28	2	127	25	6	115
1880-84	29	4	137	26	2	122	28	0	131	25	1	117
1885-89	30	2	155	26	4	135	28	2	145	24	5	125
1890-94	32	4	166	28	0	143	30	6	157	26	5	136
1895-99	33	0	176	28	2	149	31	8	169	27	1	144
1900-2	35	6	181	30	0	152	34	2	174	28	9	147

Mr. Wood concludes that between 1850-54 and 1900-2 the net advance in the average wage of those whose grade remained unchanged was 50 per cent; and that the improvement in the standard of comfort due to the "shifting up" of industrial employment was 30 per cent, making 80 per cent in all.

The reduction in the cost of food, etc., was, in Mr. Wood's opinion, almost balanced by the increase in the cost of house rent.

Mr. Webb has since roughly calculated the wages and prices since 1900 in order to bring Mr. Wood's index numbers down to 1911, and he gives the result thus:

	Index Numbers, allowing for Change in Grade.	
	Full Work.	Allowing for Lost Time.
1900	183	177
1901	181	174
1902	177	169
1903	174	166
1904	172	161
1905	174	166
1906	177	170
1907	178	171
1908	174	160
1909	173	159
1910	171	163
1911	172	166

The General Movement of Wages and Prices

A table published by the Local Government Board shows the

course of general money, wages, and average prices thus, taking the wages and prices of 1850 as 100 :

	Wages.	Prices.
1850	100	100
1860	119.2	128.6
1870	134.1	124.7
1880	148.8	114.3
1890	161.3	93.5
1900	178.7	97.4
1907	181.7	103.9
1911	179.9	113.6

Mr. Bowley gives the following estimate of the course of wages during the last 35 years, expressed in quinquennial averages :

	Nominal Wages.	Food Prices in London.	Real Wages.
1877-81	79	142	56
1882-86	78	127	61
1887-91	84	107	79
1892-96	88	100	88
1897-1901	95	99	96
1902-6	96	103	93
1907-11	100	108	92

Mr. Asquith used the following figures recently when replying to a deputation from the Associated Chambers of Commerce. They were prepared by the Labour Department of the Board of Trade, and the index numbers are founded on the prices and the amount of wages current in the base year, 1900 :

Year.	Food and Drink.	Wages.	Year.	Food and Drink.	Wages.
1879	138.9	83.3	1896	93.3	89.9
1880	140.9	83.3	1897	97.4	90.8
1881	138.6	84.8	1898	102.2	93.2
1882	141.0	85.8	1899	98.0	95.4
1883	139.7	85.8	1900	100.0	100.0
1884	123.9	85.0	1901	100.1	99.1
1885	115.4	83.6	1902	101.4	97.8
1886	109.9	82.9	1903	100.6	97.2
1887	106.5	83.0	1904	101.2	96.6
1888	110.5	84.7	1905	101.2	97.0
1889	110.4	87.5	1906	101.0	98.4
1890	108.5	90.3	1907	105.5	101.8
1891	116.3	91.5	1908	107.0	101.2
1892	109.9	90.1	1909	108.7	100.0
1893	108.6	90.1	1910	109.2	100.3
1894	101.9	89.5	1911	111.6	100.5
1895	98.9	89.1	1912	119.9	103.0

The Relation of Wages to Prices, 1900-12

While these figures are very important they must be used with caution, because the wage movements they represent are based on very limited figures, and do not include, for instance, railway servants and transport workers, both of whom have had considerable increases in wages in 1912. All the same the figures are useful because they bring out a point to which a good deal of attention has been directed. It is that, owing to the rise in the price of commodities, and therefore of the cost of living, the real purchasing power of nominal wages was less during the last two or three years for which the tables give particulars than it was in say 1895-96 and 1897. This does not, however, mean, as some writers and speakers have alleged, that the working classes have now ceased to share in material progress; that the steady upward tendency of the latter half of the last century has been reversed; and that their position is now becoming worse rather than better.

What it does mean, and what has long been well known to all careful observers, is that wages do not rise and fall with all movements in prices; and also that in times of very good trade nominal wages do not rise to the same extent as trade booms, just as in bad times they do not fall to the same extent as trade is depressed. Nominal wages are much more stable and regular than trade or prices. If we take the index numbers of the last table it will be seen:

1. That the years 1895-97 and 1910-12 are not fairly representative years with which to make a comparison. They are years of exceptionally low and exceptionally high prices.

2. That if the comparison be taken over 25 years, that is from 1885 or 1886 to 1910 or 1911, it will be seen that, while the cost of living was as high in 1886 as in 1910, wages were $17\frac{1}{2}$ per cent lower 25 years ago.

3. That over the 34 years covered by the table wages had risen nearly 23 per cent, and the cost of food and drink had decreased nearly 14 per cent.

The truth is that the years 1894, 1895, and 1896 were years of depression and bad trade. The result was that prices were low; whereas recent years have been years of booming trade and prices have been high. As nominal wages do not rise and fall immediately and exactly with prices, except in a few industries, the comparison made is a fallacious one for the purpose for which it is used.

An important factor that is usually overlooked is that in slack

times, though the nominal wage falls little, if at all, the actual receipts of the working class are much less, taking them as a whole. There is more unemployment and a good deal of short time. Whereas in times of good trade there is far less unemployment, and not only is practically every one employed full time, but a very large number are working overtime. The result is that even if the nominal rates of wages were the same at two such different periods, the actual amount of money earned in good times would be very much greater than in bad ones. The index numbers are to that extent somewhat misleading, in so far as they deal with nominal rates of wages and not actual amounts of earnings.

The fundamental considerations, therefore, are, first, that as wages do not fully rise with prices in booming times, so they do not fall with them in bad times, and consequently if working people do not appear to be getting the full advantage of good times, they have not to bear the full brunt of bad times in a reduction in rates of wages corresponding to the fall in prices. The second consideration is that nominal wages and actual earnings are different things, and in good times actual earnings are much greater than in bad times.

When slack times come again, as they must, prices will fall, and these index numbers will show then that, as compared with prices, wages are much better than they are now. That will not mean that conditions are really better; but those who have been using the present figures to prove that conditions now are worse than they were will find themselves in a difficulty.

I am not now suggesting that wages have risen as much as they ought to have done during the period of good trade which we have had, nor do I wish to imply that the increased cost of living is not a serious matter, especially to those whose wages are small. Far from it. My personal opinion is that, at any rate in the low-wage occupations, there ought to be, and there will have to be, a substantial and permanent increase in wages; but I cannot discuss that subject here and now. I must therefore content myself with pointing out that wages do steadily, though at times slowly, rise; and that, while exceptional times, like those of the South African War and the present boom in trade, produce exceptional conditions, the general trend is clear. Mr. Bowley's table, given above, demonstrates that. In spite of variations the average wages—nominal and real—of the last 15 years are much higher than those of the previous 15 years.

CHAPTER III

OTHER TESTS OF PROGRESS

Population

A GLANCE at the growth of population in England and Wales during the past 800 or 900 years is very instructive. Until 1801 there were no reliable censuses. We have to rely on estimates made by the best authorities based on such information as is available. The figures may, however, be regarded as sufficiently accurate for purposes of comparison, and to indicate the broad general movement. The following estimates (up to 1750) are usually regarded as fairly reliable :

ENGLAND AND WALES.

Year.	Population.
1086	2,000,000
1348	4,000,000
1377	2,000,000
1500	3,000,000
1630	4,000,000
1700	5,475,000
1750	6,467,000
1801	8,892,000
1851	17,928,000
1901	32,527,000
1911	36,075,000

Professor Rogers thinks that the population was less during the Middle Ages than is stated above, and that it doubled between 1600 and 1700 ; but that seems improbable. The enormous decrease in numbers between 1348 and 1377 was, of course, due to the Black Death, which decimated the population. The condition of things in those times is indicated by the fact that it took nearly 600 years—from 1086 to 1630—for the population to double. Even if we exclude the effects of the terrible plague of 1349—although

these sweeping destructions of the people by plague and pestilence were by no means uncommon in olden times—it took nearly three centuries for the population to double—between 1086 and 1348, and again between 1377 and 1630. What this meant in poverty, disease, famine, ignorance, and war, it is impossible for us to realise. The suffering and misery which kept the population down like this must have been terrible. Whatever was the cause of this poverty and disease, it certainly was not lack of land or of access to it. Only a small part of the country was cultivated. Uncultivated land lay all round in every direction, and there is no trace of any indication that there was any difficulty in the way of any man obtaining land to cultivate.

The change which resulted from the inventions and discoveries of the eighteenth century, and the mechanical, scientific, and commercial progress made since then, has been remarkable. Instead of taking nearly 300 years to double, the population of England and Wales doubled between 1801 and 1851, and again between 1851 and 1911. It is now more than four times as great as it was in 1801. Whereas, in the Middle Ages, the population took three (and indeed we might say six) centuries to double, it has quadrupled during the last 110 years. It is impossible to picture the enormous change for the better in the food, clothing, housing, health, means, and general condition of the people which those broad striking facts indicate.

The change that has taken place in the manufacturing districts has been immense. Until the seventeenth century Lancashire and the West Riding of Yorkshire, now the wealthiest of our great industrial areas, were the poorest counties in England. Where agricultural wages are now amongst the highest they were once the lowest.

The Death-rate

The evidence of the great advance that has been made is cumulative. We can only very briefly indicate what it is, again remarking that, unless otherwise stated, the figures given refer to England and Wales.

The death-rate per 1000 persons was :

	Males.	Females.	Children.		
			Under 5.	5 to 10.	10 to 15.
1841-50	22·2	21·0	66·0	9·0	5·3
1861-70	22·3	20·4	68·6	8·0	4·5
1881-90	19·7	17·6	56·8	5·3	3·0
1901-1910	16·4	14·4	57·7	4·3	2·5
1911	15·3	13·3	43·7	3·4	2·1

The death-rate in 1910 was only 60 per cent of that recorded in the later "forties." The number of deaths in England and Wales in 1910 was 483,000. Had the deaths been in the same proportion to population as they were on the average between 1841 and 1870, the number in 1910 would have been 776,000, or 293,000 more than they were.

The year 1685 was not an unhealthy one, but more than 1 in 23 of the people of London died. That was a death-rate of 43·5 per 1000.

Probably no one class of statistics so clearly and accurately indicates the material position and home condition of the masses of the people as the death-rates of women and children. A steady and persistent decline in their death-rate means better health as the result of more pay, more food, better clothes, less ignorance, and healthier houses and surroundings. Between 1841-50 and 1910 the death-rate of females fell 40 per cent, and the death-rate of children under 5 years of age fell 48 per cent; between 5 and 10 years of age 68 per cent; and between 10 and 15 years of age 66 per cent.

Consumption has been described as "a disease of poverty." The description is not quite accurate, as a large number of comfortably circumstanced people die of the disease, but there is no doubt that poor people much more readily fall victims to it. The deaths from phthisis among young people under 25 years of age have fallen 70 per cent in the last half-century. The deaths from tuberculosis were 3637 per million of the population in 1851-55 and 1434 per million in 1910. Sixty years ago the death-rate from consumption was the same in both sexes. Now it is 25 per cent lower amongst women than amongst men.

The improvement in the total death-rate from all causes is really greater than the mere figures show. During the last 60 years there has been a great change in the proportion of the population

living in towns. In 1851 the population of urban areas was approximately 50 per cent of the whole, in 1911 it was 78 per cent of the whole. As the death-rate in urban districts is 4 per 1000 more than in rural districts, a great improvement in general health conditions in the towns would have been indicated if, with the much larger proportion of the people living in towns, the total death-rate had remained the same. That it has gone much beyond that, and actually diminished $37\frac{1}{2}$ per cent under the less favourable conditions as regards density of population, is as remarkable as it is satisfactory.

Pauperism, etc.

The mean daily number of paupers per 1000 of the population relieved in the years named was as follows :

1850 . . .	56.5	1890 . . .	24.5
1860 . . .	40.4	1900 . . .	21.7
1870 . . .	44.1	1910 . . .	22.3
1880 . . .	29.2	1912 . . .	18.0

There has been a great change, not only in the numbers, but also in the proportions of the components of pauperism. Comparing 1849 with 1908, we find that while aged and infirm adult paupers have very largely decreased (about 44 per cent) in proportion to the population, they have become a larger proportion of the number of paupers. On the other hand, adult able-bodied paupers and children have diminished enormously (about 74 per cent) in proportion to population, and have also become a much smaller proportion of the number of paupers. The real character of by far the greater part of the pauperism which we have now under normal conditions, is shown by the fact that in 1908 rather more than 85 per cent of aggregate pauperism of England and Wales consisted of persons (children or adults) who receive public assistance on account of physical or mental disability.

The treatment of paupers has been much improved. In 1850 all classes of poor to whom outdoor relief was not given were maintained in the workhouses. Now there are six or seven kinds of establishments for the various classes of indoor poor. As outdoor relief is now very largely limited to the aged and infirm, it has become possible to make more liberal grants of relief to them than was formerly the case. The effect of these improvements in the treatment of the poor is seen in the increased cost per head of indoor and outdoor paupers, as shown in the following table :

COST OF RELIEF PER HEAD

	1856-7.	1906-7.
Indoor paupers	£16 12 0	£29 5 0
Outdoor paupers	4 13 0	7 1 0

The cost of lunatics in asylums is not included in these figures.

The number of blind people in proportion to the population has steadily diminished from 1021 per million in 1851 to 778 per million in 1901.

Expenditure

The consumption of tea, sugar, currants and raisins, and tobacco, in pounds per head, has increased as follows :

	1840.	1875.	1900.	1911.
Tea	1.22	4.44	6.07	6.48
Sugar	15	62	85	92
Currants and raisins	1.45	4.29	3.70	4.89
Tobacco	14 oz.	1 lb. 6 oz.	1 lb. 14 oz.	2 lb. 1 oz.

Broadly speaking, those who were comfortably off had as much of these articles as they desired 70 years ago. Apart from the changes due to custom and fashion, a very large proportion of this increased consumption is due to the ability of the masses of the people to purchase more owing to their increased spending power on the one hand, and the reduced price of most of these articles on the other.

Education, etc.

The progress of the people in education is indicated by the number who are unable to write their names when they get married. The number per 1000 who signed the register by a mark was :

	Men.	Women.	Both.
1845	332	496	240
1860	255	362	170
1875	172	232	93
1890	72	83	24
1900	25	32	12
1910	9	13	3

The number of scholars in average attendance at public elementary schools in England and Wales was :

1868	1,060,000
1880	2,750,000
1911	5,400,000

Far fewer young people are employed under 15 years of age than was formerly the case. Of boys and girls between 10 and 15 years of age, 56½ per cent were employed in 1851 and 34 per cent in 1901.

In the first quarter of last century, in cotton factories, half of all the persons employed were under 16 years of age, and one-sixth were under 9 years.

Savings

The deposits in Savings Banks of the United Kingdom increased from £29,000,000 in 1850 to £45,000,000 in 1865, £94,000,000 in 1885, and £257,000,000 in 1911. The number of depositors increased from 1½ millions in 1860 to 3¾ millions in 1880 and 14½ millions in 1911.

The amount of money invested as share and loan capital in societies in England and Wales in which working people are mainly interested is indicated in the following table, which contains such information as is available :

	Building Societies incorporated.	Industrial Provident (Co-operative) Societies.	Registered Trade Unions.	Friendly Societies.
1873	£ ...	£ 3,766,000	£ 107,000 (1872)	£ ...
1875	12,580,000	5,220,000	406,000	14,303,668 (1877)
1880	36,950,000	6,931,000	285,000	...
1890	...	...	1,102,000	22,872,731 (1887)
1900	43,935,000	27,503,000	4,137,660	43,233,000 (1901)
1911	62,030,985	54,502,086	5,570,690	65,274,907

A striking indication of the improved condition of the working classes is afforded in the extent to which they now have their annual holiday and pay a visit to the seaside. Every year hundreds of thousands of them have outings and holidays, such as their fathers fifty years ago did not have once in a life-time. This year the *Manchester Guardian*¹ made inquiries in a number of Lancashire towns in order to ascertain how much money was drawn by the working people from the various clubs and societies which abound there, for the purpose of the annual holiday. From the information

¹ August 30, 1930.

obtained the conclusion was arrived at that the amount withdrawn for the summer holiday this year in the various Lancashire towns was £1,100,000. A large proportion of this, though not all, would be spent in a visit to the seaside or even farther afield. The Editor says :

In the beginnings of the factory system it was not usual for operatives to have holidays at all except odd days now and then. Their earnings, however, have enabled them by degrees to adopt a more cheerful method of living. Pooling the odd days, and perhaps adding a few more, by arrangement with the employers, they now get a week or ten days, and make the most of it. In the aggregate they spend a very big sum, but not the full million. Many of the older operatives leave a margin towards the purchase of a house or of shares in a cotton mill which they think will give a good return, while others increase the comfort of their dwellings or make an equally sensible use of the money in other ways.

A correspondent in the same paper adds :

The savings are laid out with a keener spirit of economy and frugality than one would assume from some accounts that appear in the press. . . .

But what one ought most to remember is that the holiday savings of the Lancashire operatives only represent a percentage of the total savings of the year. And even some of that which was intended to be spent on pleasure is brought back to be reserved for other purposes. . . .

Two other points are worth mention—one feature of the crowded Lancashire holiday resorts is the absence of drunkenness, as compared with former times, and another is the improved appearance of dress in the streets. This is particularly remarkable.

Crime and Drunkenness

The number of persons tried for indictable offences, at Assizes, Quarter Sessions, and summarily in England and Wales was :

Year.	Number.	Per 1000 of Population.	Index Number.
1857	54,667	2.84	100
1862-66	59,715	2.86	101
1867-71	58,480	2.63	93
1872-76	52,148	2.20	77
1877-81	57,234	2.26	80
1882-86	59,259	2.20	77
1887-91	56,280	1.98	70
1892-96	54,689	1.82	64
1897-1901	52,567	1.65	58
1902-6	59,203	1.76	62
1907-11	65,071	1.84	68
1911	62,318	1.72	61

The number of persons tried for drunkenness was :

Year.	Number.	Per 1000 of Population.	Index Number.
1875	203,989	8.48	100
1885	183,221	6.73	80
1895	169,298	5.56	66
1900	204,286	6.33	75
1905	219,276	6.42	76
1910	175,449	4.90	58
1911	186,182	5.15	61

Housing

Interesting evidence confirming the view that there has been a very marked general "moving up" in the condition and financial position of the people, especially of those of smaller incomes, is furnished by the statistics of the rental value of the private houses in Great Britain, which are supplied in the Annual Reports of the Inland Revenue Commissioners. Those figures are available in detail since the year 1890-91, and therefore now cover a period of twenty years. During that short time the movement has been striking and unmistakable. Here are the figures :

Private Dwelling-Houses.	1890-91.	1910-11.	Increase.
Rental.	No.	No.	Per cent.
Under £10	3,271,261	3,240,221	-.96
£10-15	1,088,329	2,103,820	93.4
15-20	586,511	960,395	63.5
20-40	572,506	1,087,750	89.9
40-60	150,093	232,432	54.9
60-80	46,362	64,827	39.8
80-	109,208	127,679	16.9
	5,824,270	7,817,124	34.2

These figures indicate a great improvement in housing. During the 20 years the population of Great Britain increased 23.6 per cent. The number of private houses increased 34.2 per cent, showing that there was a much greater supply of houses, and therefore a better choice, and also suggesting that a large proportion of the people had homes of their own. But the most striking and interesting facts revealed by these figures are (1) that there was no increase, but really a small actual decrease, and in proportion to the population a large decrease, in the number of the smallest and poorest houses ; and (2) that the smallest increase in actual numbers, which was

really a decrease in proportion to the population, was in the number of houses the annual value of which was more than £80 a year, houses which would be occupied by persons whose incomes were £800 or £1000 a year and more.

The great increase was in houses of from £10 to £40 a year rental, exclusive of rates and taxes. Clearly the working people are better housed, are able to pay better rents, and now live in much larger numbers in £10 to £15 houses, where they used to live in £6 to £10 houses. Equally clearly, there has been a large increase, far larger than the increase in population, in the number of people who can and do live in houses the rental value of which is from £15 to £40 a year. This increase largely represents the advance of the manual labour class into the intermediate or smaller middle class. It means that the sons and daughters of manual workers are in a very large number of cases clerks, commercial travellers, foremen, managers, salesmen, teachers, and the like. They are in better positions than their parents were, and are earning larger incomes and living in better houses.

The teaching of these figures is confirmed by the returns of the various censuses with reference to the housing of the people. The following table, which gives the figures for England and Wales only, is very interesting :

HOUSES AND PERSONS

	Houses uninhabited to inhabited.	Persons per House.	Persons per square mile.
	Per cent.		
1811	2.84	5.65	174
1831	4.83	5.60	238
1851	4.68	5.47	307
1871	6.14	5.33	390
1891	6.83	5.32	497
1901	7.17	5.20	558
1911	5.72	5.05	618

These figures show that the people were more than three and a half times as thick upon the ground in 1911 as they were in 1811 ; but the supply of houses more than kept pace with the growing population. In proportion to the total number of houses there were twice as many empty ones to choose from in 1911 as there were in 1811. The people were also less crowded together in their houses. There were fewer persons per house, although, as the previous figures we have given show, the houses in 1911 were larger and better than in 1811, and, consequently, there would have been less crowding

than there was then if there had been the same number of persons per house.

That there has been a substantial decrease in overcrowding is shown by the following table, which gives the amount of technical overcrowding there was in England and Wales in the years named. There is technical overcrowding when the number of persons in a house or tenement is more than two per room.

OVERCROWDING

Per cent of the Total Population

	1891.	1901.	1911.
	Per cent.	Per cent.	Per cent.
In 1 room tenements	1.23	0.76	0.6
In 2 " "	3.88	2.72	2.2
In 3 " "	3.28	2.48	2.8
In 4 " "	2.84	2.24	2.2
Total under 5 rooms .	11.23	8.20	7.8

The percentage of the population of the County of London which lived in one-room tenements was :

1891	9.2 per cent.
1901	6.7 "
1911	5.9 "

The percentage of the population of London which lived more than two persons in a one-room tenement was :

1891	5.1 per cent.
1901	3.3 "
1911	2.6 "

The great improvement which has taken place in the condition of the working classes has not been at the cost of the middle class. One of the absurd and entirely unfounded statements which Mr. H. George makes is that :

Wages and interest tend constantly to fall, rent to rise, the rich to become very much richer, the poor to become more helpless and hopeless, and the middle class to be swept away.¹

Nothing could be farther from the truth. The houses in which people live are a fair indication of their position and condition. Mr. George says that the rich are getting all the benefit of progress, and that the poor are becoming poorer. If that were true, we

¹ *Progress and Poverty*, p. 375.

should find that the two classes of houses which increased most in number would be the smallest and poorest on the one hand, and the largest and best on the other. We have seen that the precise opposite is the fact. The houses which have not increased at all are the smallest and poorest, and next to them the houses which show the smallest increase, and show an actual decrease in proportion to the population, are the largest and best, those which are occupied by the rich.

As to the middle class, we may take it that the great majority of them live in houses the rentals of which range from £20 to £80 a year. They will largely represent people with incomes of from £160 to £800 or £1000 a year. They may be said to represent the smaller and medium middle class. Certainly they are not a decreasing portion of the community. They are not being swept away. Any one whose memory carries him back over the last 40, 50, or 60 years knows better than that. One of the most striking features of the progress of the last two generations has been the enormous increase in the suburbs, not only of our great cities, of every town of every size, and especially in the industrial districts, in the number of villas and terraces of houses obviously occupied by middle-class people. The figures we have already given show that in Great Britain, between 1890-91 and 1910-11, the number of houses the rental of which was from £20 to £80, exclusive of rates and taxes, increased 80 per cent, while the population only increased 23.6 per cent. It is quite clear that large numbers of the working classes have moved up in the social scale and are now in the middle class.

Improvement not only Material

Nor has the progress been material only. It has been moral also. Professor Marshall reminds us that public feeling is much more humane and sensitive. A hundred years ago school-boys and servants and wives were systematically and often brutally beaten. Criminals were executed for numerous offences, and that and other punishments, like the pillory and whipping at the tail of a cart, were inflicted in public amidst the jeers of the populace. Gentlemen took parties to Bridewell to see women whipped. Brutal prize-fights were common. Prisons were pesthouses and breeding-grounds of crime and horror. Society regarded all this misery and brutality with indifference. We live in a more merciful age, in which far more is done to protect animals against cruelty than was then done to prevent inhumanity to human beings. As

Macaulay said: "Every class doubtless has gained largely by this great moral change; but the class which has gained most is the poorest, the most dependent, and the most defenceless."

In 1810 death was the penalty for more than 40 offences. Juries were unwilling to convict. Between 1805 and 1810 only 59 per cent of those committed were convicted. Yet in 1817, 1302; 1820, 1236; 1831, 1601; and in 1832, 1449 were sentenced to death. In 1908 only 25 were, and in 11 cases the sentence was commuted to penal servitude.

Nothing has been said here of the great benefits which working people have derived, and very properly so, from the shortening of the hours of labour and the improvement in the conditions under which work is done in factories and workshops and on board ships, and of the provision which has been made for compensating them in case of accident. All these are directions, in addition to mere increases in money wages, in which they have shared in the material progress of the last century, and especially of the latter half of it.

In the face of the bare facts and statistics which have been adduced here, with very little comment, it is useless for any one to contend, as Henry George and Karl Marx did, and as their followers to-day do, that "wages tend constantly to fall, the rich to become very much richer, the poor to become more helpless and hopeless, and the middle class to be swept away." The facts are against them. The evidence is cumulative. Any single part of it may be minimised, and possibly to some extent explained away, by ingenious controversialists, but the trend and teaching of it all, when taken together, is too clear and obvious for any casuistry or sophistry to controvert or obscure. Great progress has undoubtedly been made, and the masses of the people have shared largely in it. Much remains to be done; but those who would persuade us that we are altogether on the wrong track, and that the social structure has been built up on an entirely false foundation, are in conflict with the plain facts of life and of modern history. The truth is that much of the unrest and discontent of the present day is the result and proof of the progress that has been made. New desires, new hopes, new aspirations, and new needs have been aroused and created by the education of the people, the development of their faculties and powers, and the opening of their minds to the possibilities which are within them and around them.

CHAPTER IV

VALUE OF THE LAND OF THE UNITED KINGDOM

WE may now proceed to ascertain the annual value of the land of the United Kingdom. Upon that we may base an estimate of its capital value. Then we shall be able to compare such information as is available with regard to the annual value of the land of the country at various periods during the last one hundred years, and thereby obtain a general and fairly accurate indication of the increase that has taken place in that value. After that we can proceed to compare the annual value of the land at various periods with the total income of the people from all other sources. Thus we shall ascertain the relative rates at which the various classes of income have grown, and thereby see how much, if any, truth there is in the assertion that the rent of land absorbs the whole or even the greater part of the results of material progress.

What is the rental value of the land of the United Kingdom, meaning thereby the value of the land in its natural condition, before anything has been spent upon it—in a word, what is known as its “prairie” value? The income-tax returns give us the annual value of almost the whole of the land in the country as it stands to-day, together with the buildings upon it.

The gross assessment of the annual value of lands, houses, etc., for the year 1910–11 was :

Agricultural land and farm-buildings	£52,294,614
Houses and other buildings, including the sites thereof	222,233,301
Other landed property, including some tithes and sporting rights	1,294,998
	<hr/>
	£275,822,913

From this gross amount there were deductions for errors in assessments, empty property, and repairs and renewals as follows :

Errors in assessment	£10,294,738
Empty property	7,971,701
Agricultural depression	295,010
<i>Repairs and Renewals—</i>	
Lands	7,223,759
Houses and Buildings	34,682,941
	<hr/>
	£60,468,149

As the deductions for over-assessments and empty property are not allocated between lands and buildings, we may divide them proportionately between the two main items. We shall then get this result :

Gross assessment of agricultural land and buildings		£52,294,614
Less over-assessment and empty property	£3,478,227	
Repairs, etc.	7,223,759	
Agricultural depression	295,010	
	<hr/>	10,996,996
		<hr/>
Net value of agricultural land and buildings		£41,297,618
		<hr/>
Gross assessment of houses and buildings, including sites		£222,233,301
Less over-assessment and empty property	£14,788,212	
Repairs, etc.	34,682,941	
	<hr/>	49,471,153
		<hr/>
Net value of houses, buildings, and sites		£172,762,148

Value of Agricultural Land

In order to ascertain the unimproved value of the land of these properties, we must now proceed to ascertain how much of the net value we have arrived at represents buildings and improvements. We will take first the agricultural land. How much of the annual value represents interest on the capital value of the farm-houses, the farm-buildings, reclamation of the land from the waste, drainage, fencing, roads, etc.? Eighty years ago Mr. M'Culloch, the economist, estimated that at least half the rent of agricultural land represented interest on the capital value of the buildings and improvements. In a paper read before the Statistical Society in December 1907, Mr. R. J. Thompson estimated that the average capital expenditure on permanent improvements on agricultural land—buildings, draining, fencing, making roads, etc.—was about £12 an acre.

In his evidence before the Departmental Committee on Local

Taxation, Mr. Trustram Eve, a well-known surveyor, and Secretary of the Farmers' Club, expressed the opinion that the average unimproved value of the land of ordinary farms in England is about £8 an acre, and that the value of the worst land that is capable of being cultivated without involving loss in England is £2 an acre. Mr. J. H. Sabin, another experienced surveyor, estimated that, on the average, farm-houses and buildings represent three-sevenths of the total value of a farm.

The suggestion that this figure is too high, rather than too low, is supported by some further estimates and calculations which Mr. R. J. Thompson made in the paper above referred to. As the result of his inquiries and investigations he estimated that, on the average, 35 per cent of the gross rent of agricultural land goes in repairs, management, and outgoings of all kinds, and sinking fund for new buildings, drainage, fencing, etc. Taking the average rent of agricultural land throughout the Kingdom at 20s. an acre, this deduction of 35 per cent would be 7s. An allowance of $3\frac{1}{2}$ per cent per annum on the £12 per acre which he estimates to be the outlay which has, on the average, been made on permanent improvements—reclamation, buildings, drainage, fencing, roads, etc.—gives a further 8s. 5d. per acre to be deducted, which leaves 4s. 7d. per acre as the average economic rent.

Indeed, I am satisfied that the rent of a very large proportion of the farms of this country is not more than 5 per cent on what would be the cost of reclaiming the land from its natural state and equipping it with house and buildings, roads, fences, etc. The "prairie value" is really *nil*. Cottages have often to be provided for labourers, and let at less than an economic rent. The provision of these cottages at an unremunerative rent is part of the cost of the equipment of the farm. It must be remembered that originally the forest had to be cleared before the field could be set out, rivers had to be embanked, fens to be drained, roots of trees and underwood had to be rooted and grubbed. Then the land had to be cleared of stones, and broken up and ploughed, and sown to grass. Roads had to be made, fences erected, and drains put in. Such operations as warping, claying, and marling were necessary. All this took time and involved much expenditure.

"The Making of the Land of England"

"There is, it may be broadly asserted," said Mr. Albert Pell, M.P., "but a small portion of rural England, the present value of

which is not due wholly or in a very large part to the costly operations which have been conducted wholly at the charge of the successive owners of the soil."

In *The Making of the Land of England* Mr. Pell gives a number of examples of the cost of reclaiming and equipping land in this country. One case is that of 656 acres of the best part of a moor in the north of England. Before it was improved, it was worth 1s. a year per acre. The work of improving continued over 14 years, and the cost was :

Draining	£5,587	4	0
Liming	8,255	16	4
Fencing	616	7	5
Water-weiring	224	2	2
Cattle-sheds	517	4	1
Sundries	790	0	3
	<hr/>		
	£15,990	14	3

The cost of these simple operations was £24 : 7 : 6 per acre. Some years afterwards it was let at 6s. 8d. per acre, which was 5s. 8d. for the improvements, or a little more than 1 per cent on the outlay.

Mr. Squarey, in an article on "Farm Capital," in the *Journal of the Royal Agricultural Society* (1878), estimated that the cost of house, farm-buildings, and cottages alone on a dairy farm would be £12 : 15s. per acre ; on a mixed arable and pasture farm £8 per acre ; on a mixed upland farm £6 : 7s. an acre ; on an average for the whole of £9 an acre for buildings.

On the Holkham estate, excluding the Park and Domain, the Earls of Leicester spent on buildings, repairs, fencing, and drainage between 1776 and 1883 the sum of £881,986 and on the purchase of land £145,224, giving a total of £1,027,210. In 1882 the gross income from the estate was £52,285, and the outgoings £26,875, leaving a net return of £25,410, which was about the average annual return for the preceding 50 years.

In a discussion on the taxation of land values at the Surveyors' Institute on March 11, 1912, a letter was read from Mr. Smyth-Richards of Barnstaple, in which he gave the following particulars about a farm in a North Devon agricultural parish :

Area—122 acres 2 roods 18 poles.

Rent £110—landlord paying tithe £12 : 6 : 8.

Valued by District Valuer—original gross value £2467, which is considered a very full price. He deducts £308 for tithe and £606 for buildings.

Original gross value £2467, less tithe £308 = £2159.

Mr. S. Richards gives the value of owner's improvements as follows :

Cost of erection of dwelling-house	£454 6 0
Cost of erection of out-buildings	666 17 8
338 chains of fencing at 30s.	507 0 0
46 gates, posts, and ironwork, at 22s. 6d.	51 15 0
1640½ chains, draining, at 4s.	328 2 0
24½ chains occupation roads at £5	122 10 0
282 apple-trees, 4s.	56 8 0
	£2186 18 8

Nothing is included for clearing 120 acres of land and laying down about 40 acres of it to meadow, pasture, and orchard, which he estimates would cost another £750.

Here, then, we have a farm which is now worth £2159, while the cost of reclaiming the land and draining, fencing, and equipping it and erecting the farmhouse and outbuildings on it, if it had to be done now, would be £2936. That is to say, if this land were now in its natural state the owner would be some £800 better off if he left it as it was, than he would be if he reclaimed it and equipped it as this farm is equipped.

The President of the Surveyors' Institution, a well-known practical agriculturist, who has kept accounts for the last twelve years over an area of three thousand acres, stated last year (1912) in his presidential address : " So far as agricultural land is concerned, it is well known to most of us that if a fair and just estimate were made of the expenditure by owners on the improvement of the land, and this were allowed as a deduction in arriving at the unimproved value, there would be few cases where any value would remain upon which to assess taxation."

Mr. Chiozza Money, in an estimate he has made, deducts £10,000,000 as the value of the buildings, and then deducts half of the balance as the value of the improvements, and reaches the conclusion that the rental value of the unimproved, or prairie value of the agricultural, land of the country cannot be put higher than £17,500,000. I am not prepared to say that this figure is too low ; but, in order to be on the safe side, I will fall back on M'Culloch's estimate, which is certainly not an excessive one, and assume that the average value of the buildings and improvements is half the net rent of the properties. This would give £20,648,809, or say £21,000,000, as the annual value of the land only.

Value of the Sites of Houses and Buildings

Then we come to houses and buildings and their sites. We desire to ascertain the unimproved value of the sites alone. Let us be quite clear as to what this is. In the case of leasehold property, it is not the amount of the ground rent, even if it has just been created. In a large proportion of cases the ground rent bears little relation to the value of the land. It is frequently created after the buildings have been erected, and it is an arbitrary sum, fixed by agreement, secured as a first charge upon the whole property. Often in the same street, with the houses all exactly alike, and all built at the same time, some of the ground rents will be twice as much as others, and sometimes three, four, and five times as much. It is not unusual to fix the ground rent to suit the purchaser of the leasehold. The more he is prepared to pay in cash, the less will the ground rent be made, and *vice versa*. There is no greater source of misconception and error amongst those who write and talk on this subject without really understanding it, than the assumption that the ground rent of a house represents, or ever did represent, or ever was intended to represent, the value of the site without any building on it.

Again, there are often two ground rents—one behind the other. There is a freehold ground rent and then, what is called an “improved” or a “leasehold ground rent.” The leaseholder of the building, when he pays the ground rent, does not know whether there are two ground rents or one. Out of the ground rent which he pays, the receiver of it may have to pay a ground rent to some one else. Neither of these ground rents may represent the true value of the land. It is practically certain that the two together will be far more than the value of the land.

Further, it is not unusual for land to be sold for building purposes subject to a very small ground rent—say £2 or £5 for several acres. This ground rent may not amount to more than a few pence per house. It bears no relation to the value of the land. In such cases a leasehold ground rent is usually created, and that is a purely arbitrary sum and may bear no relation to the value of the land.

All attempts, therefore, to arrive at the value of sites by ascertaining what the ground rents are will be misleading.

Nor does the value of the cleared site—that is the site with the buildings cleared off it—give the unimproved value of the land. The cost of levelling and preparing the site and making the roads

and footpaths and constructing the drainage, is great. Something must also be allowed for interest on this capital outlay, and the profit of the man who makes the venture and incurs the risk. The unimproved value of the site is its cleared value, less the value of these improvements. In the case of large quantities of building land, these improvements cost as much as the land. Where the land costs less than £300 an acre, it may be taken that the cost of the roads will be greater than the cost of the land on which the houses stand.

In the London area, or its immediate vicinity, if a building area of about 4 acres, so favourably situated as to have frontages to two existing roads, and so favourably shaped that roads could be constructed at right angles to those roads, and the whole of the area could be utilised—conditions by no means always secured—were developed for moderately small houses with roads 40 feet wide, the following results could be obtained :

If the building plots were given a depth of 105 feet each, the cost of road-making at 50s. per foot run would be £1750, or about £437 an acre, and 16 per cent of the total area would have to be given up for roads.

If the building plots were given a depth of only 63 feet, in order to get more houses on the estate, there would be more road construction, and the cost of the roads would be £2625 or about £656 per acre, and the area occupied by roads would be 24 per cent of the total.

There is no official or accurate information as to what is the unimproved value of the sites of the houses and other buildings in the United Kingdom. Some years ago (1896) the Valuer to the London County Council estimated that the gross site values of the land of London were about one-third of the gross value of the whole properties—land and buildings. He estimated that, taking the City alone, the gross site value of the City properties was £3,923,000, and the total gross value of the land and buildings was £5,423,018. That meant that the site values in the City were 72 per cent of the total value. Dr. David Murray says : “ In the case of tenement property in Glasgow, the value of the building is from 8 to 15 times the value of the land, and in the case of private residences the value of the building is from 10 to 20 times the value of the land.”¹ Mr. Muspratt estimated that the land rent in Liverpool was $6\frac{2}{3}$ to one. Mr. Tomlin calculated that in Wood Green, near London, it

¹ *The Land and Finance Bill*, p. 53.

bore a relationship of $7\frac{1}{2}$ to one ; Birmingham five to one ; Portsmouth seven to one ; Glasgow less than ten to one.

Mr. Trustram Eve stated to the Departmental Committee, 1912, that he and the Rating Surveyors' Association were of opinion that the cleared site value of the country excluding farms, etc., does not exceed one-third of the total value—land and structure combined. And Mr. J. H. Sabin, another surveyor, estimated that ground rent values—allowing for increases, since old leases were granted—taking the country as a whole, are about one-third the total value. He explained that these ground rent values include outlay for streets and other improvements, and said that if these were deducted the value of the site would be about one-fourth of the total value.

I am of opinion that one-fifth of the gross rental value, or one-fourth of the net rental value of this property—taking the country as a whole, outside London—is a very full estimate of the unimproved site value. It is certainly excessive rather than otherwise. One-fifth of the gross rental of the whole country, including London, is £44,446,660 ; one-fourth of the net rental is £43,190,537. We may take £44,000,000 as the figure ; and adding £6,000,000 as the extra site value of London beyond the amount given, by taking the average of one-fourth the total net value of site and buildings, we get £50,000,000 as the annual unimproved value of the sites of houses and other buildings in the United Kingdom. That figure is possibly 20 per cent too high.

There are two items in this estimate which must not be overlooked. Unoccupied property is omitted from the assessment on which we have based our calculations ; and the land of properties which are assessed at annual values which do not adequately represent the real value has been estimated on the basis of the assessed value. The annual value of the land of the under-assessed properties, beyond the amount at which it has already been taken, can only be guessed. There is no information on which a reliable estimate can be based. At a venture I put the figure at £5,000,000 ; and the sites of empty buildings at £2,000,000.

The " other landed property," the annual value of which is £1,294,998, is mainly land, and the unimproved land value may be put down at £1,000,000 a year.

The property with which we have been dealing is that which is assessed under Schedule A for the income-tax, and this comprises nearly all the land of the country. There is, however, some which

is not included in that schedule. Railways, canals, docks, mines and quarries, and certain fishing and sporting rights are all assessed under Schedule D. Part of all these properties and undertakings is land. We have very little information as to the unimproved value of this land. Mr. Money estimates its total value at £12,100,000. I shall adopt his estimate and call it £12,500,000.

Total Annual Value of the Land only

Bringing our various items together, we get the following total :

Agricultural land	£21,000,000
Sites of houses and buildings	50,000,000
Land of empty properties	2,000,000
Extra value of land of under-assessed properties	5,000,000
Other property, including sporting rights	1,000,000
Land of mines, quarries, railways, canals, docks, etc.	12,500,000
Total annual land value of the United Kingdom	£91,500,000

Mr. Arnold Toynbee, in 1883, estimated that the unimproved value of the whole of the land of the United Kingdom in 1880 was about £60,000,000 a year.

Mr. Chiozza Money, M.P., made an estimate ¹ of the land values of the United Kingdom, taking as his basis the official returns of income for the year 1910-11, and he arrived at the following result as to annual values :

Agricultural lands	£17,500,000
Urban land, being houses, etc., London	16,400,000
Urban land, rest of United Kingdom	43,200,000
Other landed property, including sporting rights	800,000
Railways	5,000,000
Canals and docks	500,000
Mines and quarries	6,400,000
Fishing and sporting rights	200,000
	£90,000,000

It should be noted that, so far as urban land is concerned, Mr. Money's estimate is apparently of cleared site values and not unimproved site values. Elsewhere he says : " I should not have serious quarrel with an estimate of £80,000,000 ; certainly £90,000,000 is a liberal estimate." ²

¹ *Daily Mail Year Book, 1913*, p. 23.

² *Westminster Gazette*, October 12, 1912.

Estimates of Land Taxers

Land taxers estimate the value of the land of this country at much higher figures than those at which we have arrived. The methods, and consequently the results, of their estimates and calculations—like almost all their statements, arguments, and statistics—are, however, quite fallacious and altogether misleading. Mr. Max Hirsch made an estimate of the land values of the United Kingdom, based on the Inland Revenue Returns for 1905–6, and he arrived at the conclusion that the “total ascertainable rental value of the land in the United Kingdom” was £254,208,396. He said, however, that this “does not represent its total rental value,” and by another process he calculated that the “total rental value of land (economic rent) was £275,762,799.”¹

Messrs. Chomley and Outhwaite adopted this estimate in 1909, and arrived at the conclusion that the capital value of the land of the United Kingdom was £6,600,000,000. They added: “In order to err on the side of moderation rather than that of extravagance, we are here assuming the land value of the United Kingdom to be only £6,000,000,000 which is considerably less than the figure which our calculations give.”² Mr. Hemmerde, K.C., M.P., estimates that a tax of 1d. in the £ “would bring in something between £15,000,000 and £30,000,000,”³ from which it appears that his opinion as to the capital value of the land of the United Kingdom—and he says “we have obtained our estimates from the best available sources”⁴—oscillates between £3,600,000,000 on the one hand and £7,200,000,000 on the other.

Their estimate abounds in blunders, two of which may be mentioned as illustrations of their methods. One is that all the figures they take are gross figures and they make no allowance for errors which were adjusted on appeal or for repairs and wear and tear, etc. Were these deductions made, as they were made by the Inland Revenue Commissioners, and as they must be made in order to arrive at actual net values, their total annual value would be reduced by some £54,000,000 at a stroke.

Another blunder is a double one. In the first place, they assume that the proportion which the value of the land bears to the total value of land and buildings, etc., is the same in this country as in

¹ *Land Values Taxation*, by Chomley and Outhwaite, pp. 238 and 242.

² *Ibid.* pp. 146, 147.

³ Letter in *The Nation*, October 26, 1912.

⁴ *Ibid.* November 16, 1912.

America, New Zealand, and Australia. They next assume that the proportions which they have arrived at hold good for annual value as well as for capital value. Each of these assumptions is inaccurate and fallacious, and the conclusions based upon them are, consequently, erroneous.

In New Zealand and Australia the number and value of the buildings in proportion to the amount and value of the land is vastly less than it is here. The buildings are for the most part altogether different in quality and character, the great majority of them being merely wooden structures. That being so, the proportion which the value of the land bears to the value of the whole property is, of course, much greater than is the case here. So far as America is concerned, the comparison is based on the proportionate values in a few cities there, with the result that the land value is a much smaller proportion—nearly 12 per cent less—of the total value than it is in New Zealand and Australia, where the figures cover both town and country. In American cities, buildings are far less substantial and permanent in character—many are wooden—than they are here. If they were here, they would, as a rule, be worth much less than our buildings are. They are also far more readily pulled down and replaced by larger structures, with the result that they are regarded as more temporary and are more rapidly depreciated in value than ours are.

The second mistake is in applying the assumed capital value proportions to annual values. Messrs. Chomley and Outhwaite assume, not only that because in America, New Zealand, and Australia, land value is about 60 per cent of the total capital value, it will be 60 per cent of the total value here, but also that 60 per cent of the total annual value will represent land value. That is a gross blunder. The land is worth 25 years' purchase, while the buildings are not worth more than 15 years' purchase, and many of them are not worth that. Consequently, if the land and the buildings were of equal annual value, the capital value of the land as compared with the buildings would be as 25 to 15.¹

Another feature of this estimate is this—60 per cent of the amount collected as inhabited house duty, income tax (Schedule A), income tax (Schedule D-3), local rates, and the whole of the land tax, and

¹ Mr. Harold Storey falls into similar errors, and, estimating that the value of the land is 50 per cent of the combined value of land, buildings, etc. arrives at the conclusion that "the total capital unimproved value of all the land of the country may be estimated to be about £5,000,000,000."—*Economics of Land Value*, p. 108.

the local revenue from tolls and dues—put down as a total annual sum of £51,163,886—is added to the annual value of the land of the country, and capitalised at 25 years' purchase, and the capital value of the land is increased £1,279,096,650 thereby.

Estimated Capital Value of the Land of the United Kingdom

Taking into account the value of the land, the present income return from which does not at all adequately represent its capital value, my estimate of the total unimproved capital value of the land of the United Kingdom is that it is about £2,500,000,000 to £2,750,000,000. That is, of course, not the cleared site value.

⁴ It is the unimproved value. The cleared site value, which is the value which we shall get very generally in the National Valuation which is being made by the Inland Revenue authorities, is a very different and much higher value and will probably run up to £3,500,000,000 or more, as it will include a vast amount of expenditure on reclamation, drainage, roads, development and improvements of all kinds, short of actual buildings.

In this connection it is interesting to note that in a paper read before the Surveyor's Institute in February 1912, Mr. Edwin Savill, F.S.I., estimated "the site value of all the land in the United Kingdom" at £3,000,000,000.

In a reprint of a series of articles entitled "A Penny Tax on Land Values" the *Daily Chronicle* in February 1909 estimated the annual land value thus :

England and Wales	.	.	.	£102,000,000
Scotland	.	.	.	13,000,000
Ireland	.	.	.	11,000,000
				<hr/>
				£126,000,000

and on this basis arrived at the conclusion that the capital value of the land of the United Kingdom was £3,150,000,000. Both these estimates refer to cleared site value, and not to unimproved site value, which would, of course, be much less.

The Movements in the Value of Agricultural Land

It will be interesting at this stage to ascertain as nearly as is practicable to what extent the value of land has increased or decreased over a long period, and during recent years; and also what proportion such increase as there has been bears to the total wealth of the country and the increase there has been in it.

In that connection the following figures, which show the movement in the average rent per acre of agricultural land during the latter half of the last century, are useful :

		s.	d.			s.	d.
1851-55	.	20	9	1877-80	.	27	6
1856-60	.	23	1	1881-83	.	26	9
1861-65	.	23	7	1884-86	.	24	11
1866-70	.	24	8	1887-92	.	22	11
1871-74	.	28	10	1893-94	.	21	8
1875-77	.	29	4	1895-96	.	21	1

A similar movement in capital values is shown by the following particulars of the average price per acre obtained at all the auction sales in London of estates of over 30 acres :

Period.	Price per acre.
1781-1800	£33 16 0
1801-1820	36 4 0
1821-1840	25 14 0
1841-1860	36 8 0
1861-1870	43 0 0
1871-1880	51 16 0
1893-1896	26 10 0

The following particulars of the average rent per acre of agricultural land on a number of farms in two groups of about 70,000 and 120,000 acres each, in various counties, were given by Mr. R. J. Thompson in a paper read before the Statistical Society in December 1907 :

	Group 70,000 acres.		Group 120,000 acres.	
	s.	d.	s.	d.
1801	11	8	...	...
1810	12	3	...	...
1820	15	5	18	8
1830	15	3	18	4
1840	15	7	19	1
1850	16	3	20	6
1860	18	0	23	0
1870	18	9	24	0
1880	18	5	21	4
1890	15	7	19	6
1900	14	7	17	2

These were cases where the actual rent of the same land could be ascertained from carefully kept records extending over the periods named.

*The Movements in the Incomes from Land and from other Sources
compared*

We have in the Income Tax Statistics information as to the annual value of the lands and houses assessed for tax in the early part of last century, while an income tax was levied, and again since 1842, when it was revived. The information given in the earlier periods is not nearly so full and detailed as that which is now published. The returns have been gradually amplified from time to time. The result is that we are not able to ascertain from the earlier returns, with the same precision as we can from the later ones, the net amount of the income derived from particular classes of property under the various headings under which they are grouped. The gross assessments in each class under each heading are given, but the net assessments are only given for each group as a whole and not for each class in each group as is the case in the returns now issued by the Inland Revenue Commissioners. Further, deductions for repairs were not allowed under Schedule A until 1894. Consequently, we could only estimate what ought to be deducted for any year prior to that date. We must, therefore, be content with the gross figures and they will suffice for our purpose, because the deductions which would have to be made for repairs, over-assessments, etc., even if they could be ascertained, would not vary very materially at different periods in proportion to the total assessments. Further, it will be seen that the conclusions to be drawn from the figures are so obvious and striking that any possible modification of the relative proportions of the amounts of income under each head that could be made if we had the information in greater detail, and were able to give net instead of gross figures, could not seriously affect those conclusions.

Prior to 1853 income tax was not levied in Ireland, and it was not until 1862 that the published returns were sufficiently complete to render possible the comparison we desire to make. We can, therefore, only make the longer comparison for Great Britain; from 1862 we can make it for the United Kingdom. The gross assessments for income tax for Great Britain in the years named from

1. Lands, Manors, Tithes, and Fines,
2. Houses and Buildings, including their sites,
3. All sources liable to Income Tax,

were as follows :

	Lands, etc.	Houses, etc.	Total, all Sources.
	£	£	£
1814-15	42,426,822	16,259,400	137,621,309
1845-46	48,053,788	39,536,320	252,971,094
1862-63	51,752,772	58,590,395	328,147,667
1869-70	55,841,648	77,879,548	439,416,145
1889-90	48,212,101	134,934,230	632,159,035
1910-11	43,893,955	216,957,081	1,005,174,389

Keeping to gross and not attempting to ascertain net values, we may for this purpose take the value of the land on which the houses and buildings stood as one-fourth of the total value of the buildings and sites. We shall then get the value of the land alone as follows :

GROSS VALUE OF LAND AND SITES IN GREAT BRITAIN

	Lands.	Sites of Buildings.	Total.
	£	£	£
1814-15	42,426,822	4,064,850	46,491,672
1845-46	48,053,788	9,884,080	57,937,868
1862-63	51,752,772	14,647,599	66,400,371
1869-70	54,997,570	19,469,887	74,467,457
1880-90	48,212,101	33,733,557	81,945,658
1910-11	43,893,955	54,239,270	98,133,225

It will be convenient if we now give similar figures for the United Kingdom for the last 50 years :

GROSS VALUE OF LANDS AND HOUSES AND OF ALL INCOMES ASSESSED FOR INCOME TAX IN THE UNITED KINGDOM

	Lands, &c.	Houses, &c.	Total Income, all Sources.
	£	£	£
1862-63	60,775,875	61,924,178	351,745,241
1869-70	65,007,018	81,519,153	444,914,228
1889-90	58,153,900	138,491,662	669,358,613
1910-11	53,589,612	222,233,301	1,045,833,775

GROSS VALUE OF THE LAND AND SITES IN THE UNITED KINGDOM

	Land.	Sites of Buildings.	Total.
	£	£	£
1862-63	60,775,875	15,481,049	76,256,924
1869-70	65,007,018	20,379,788	85,386,806
1889-90	58,153,900	34,622,815	92,776,815
1910-11	53,589,612	55,558,325	109,147,937

We may now bring together the gross annual values of the lands

CH. IV VALUE OF LAND IN UNITED KINGDOM 101

and sites and the total income from all sources assessable to the income tax, and show the percentage which the income from land was of the total income at the dates named :

	Land and Sites.	Total Income.	Proportion of Land to Total.
<i>Great Britain.</i>	£	£	Per cent.
1814-15	46,491,672	137,621,309	33 $\frac{3}{4}$
1845-46	57,937,868	252,971,094	23
1862-63	66,400,371	328,147,667	20
1869-70	74,467,457	439,416,145	17
1889-90	81,945,658	632,159,035	13
1910-11	98,133,225	1,005,174,389	9 $\frac{3}{4}$
<i>United Kingdom</i>			
1862-63	76,256,924	351,745,241	21 $\frac{3}{4}$
1869-70	85,386,806	444,914,228	19
1889-90	92,776,815	669,358,613	14
1910-11	109,147,937	1,045,833,775	10 $\frac{1}{2}$

These figures alone are sufficient to expose the glaring inaccuracy and utter absurdity of Mr. Henry George's statement that as the result of progress, civilisation, invention, and increasing population, land-owners get a constantly increasing, and labour and capital a constantly diminishing, share of the aggregate wealth created ; or, as he puts it, in other words, that progress tends to give a larger and larger proportion of the produce to the owners of land and a smaller and smaller proportion to labour and capital. The facts are, of course, precisely the opposite, and very little knowledge of them or very little investigation of them would have prevented Mr. George from falling into this colossal blunder. It lies at the foundation of much of his argument, and the exposure of the ludicrous inaccuracy of his statement knocks the bottom out of the contention which he bases on it and supports by it.

Increase in Incomes from Land much less than Increase in other Incomes

The figures we have just given show that in Great Britain, between 1814 and 1911, while the gross annual value of the land rather more than doubled, the gross total taxable income of the country increased more than sevenfold. In the United Kingdom, between 1862 and 1911, while the value of the land increased 43 per cent, the total gross income increased 197 per cent.

Put in another way, they show that a hundred years ago the income value of all the land of Great Britain was one-third of the

total income-tax paying income. Now it is only one-tenth of the income-tax paying income.

Nor does this state the position quite fully. In order to make a proper comparison we must compare the increase in the total income (liable to income tax) from sources *other than* land with the increase in the value of land. These are the figures :

	Values of Land Sites.	Other Income.
<i>Great Britain.</i>		
1814-15	£46,491,672	£91,129,637
1862-63	66,400,371	261,747,296
1910-11	98,133,225	907,041,164
<i>United Kingdom.</i>		
1862-63	76,256,924	275,488,317
1910-11	109,147,937	936,685,738

In Great Britain between 1814 and 1911 the annual value of land increased 111 per cent ; but the income (liable to income tax) from other sources increased 895 per cent, or 8 times as much.

In the United Kingdom, between 1862 and 1911, the gross income from land increased 43 per cent ; but the gross income from other sources increased 240 per cent, or nearly 6 times as much.

Thus far we have limited our comparison with the income from land to the income from other sources which are liable to income tax. We may now extend the comparison to the total income of the nation, and especially to that portion of it which is below the income-tax limit. In doing so we must be content to deal with percentages and proportions, as the additional income figures which we are now bringing in are net figures, while the others are gross. The percentages of increase in the net income figures vary considerably from those of the gross income figures, and so far as that is so, the comparison we are about to make shows a larger comparative increase in the value of land than would be shown if we could also give the net figures of the income from land.

We have already shown that the percentage of increase in the gross income from land between 1862 and 1910-11 was 43 per cent. The increase in the total income of the nation from all sources between 1862 and 1907 was :

Increase in total income	155 per cent.
Increase in incomes above the tax exemption limit	120 „
Increase in incomes below the tax exemption limit	176 „

Thus, while the gross income from land increased 43 per cent—and the net increase was much less—the net increase in the total income of the country was 155 per cent, and the net increase in the income of the smaller people amongst us—those whose income does not exceed £160 a year—was 176 per cent. It is clear, therefore, that Mr. Henry George's contention that the land-owners secure all the increased wealth that results from progress, and that their share of the total earnings of the community continually increases while the share of capital and labour constantly diminishes, is a monstrous fallacy and an absurd delusion.

CHAPTER V

POVERTY AND THE PRIVATE OWNERSHIP OF LAND

HENRY GEORGE says that private ownership of land causes poverty because rent goes into the pockets of the land-owners instead of into the coffers of the community. Of course people are poorer because they have to pay rent, just as they are poorer because they have to pay for other things. If we could have food, or clothes, or houses, or land for nothing, which we now have to pay for, we should be that amount better off than we now are. If we are poor, we may say it is because we have to pay for these things. In that sense and in that sense alone is poverty the result of having to pay rent.

“ The Tramp and the Locomotive ”

But Henry George does not propose to relieve us of the payment of rent. We are still to pay it, but we are to pay it to the community. What the contention really amounts to is that people are poor not because they pay rent, but because they pay it to private individuals and not to the Government. This, it appears, makes all the difference ; and he tells us that as the result of it :

The “ tramp ” comes with the locomotive, and almshouses and prisons are as surely the marks of “ material progress ” as are costly dwellings, rich warehouses, and magnificent churches. Upon streets lighted with gas and patrolled by uniformed policemen, beggars wait for the passer-by, and in the shadow of college, and library, and museum, are gathering the more hideous Huns and fiercer Vandals of whom Macaulay prophesied.¹

He might just as well say that the grocer's shop begets flies, or a circus the crowd of children which gathers around it. Populous places, and places where wealth is which railways render accessible, attract the tramp, the loafer, and the beggar, the idle, the incom-

¹ *Progress and Poverty*, p. 4.

petent, the dishonest, and the thriftless. Why do we not have the professional thief—the burglar, the pickpocket, and the card-sharper—in rural districts, except when a race meeting is being held? Simply because there is no scope and opportunity for him.

He says the tramp “comes” with the locomotive, etc. Just so. He was not there before a happy, prosperous, industrious, law-abiding citizen. Material progress does not turn a prosperous population into tramps. It makes them more prosperous; so much so that tramps, loafers, and the like “come” and develop. It does not create them any more than cheese creates mice, or butcher’s meat creates blue-bottle flies.

Poverty where Land is not appropriated

So far from it being true that poverty, misery, and degradation are the result of private ownership of land, we know that in quite recent times nearly the whole of Africa, large parts of North and South America and of Central Asia and Australia, together with most of the islands of the Pacific, were regions where land was not appropriated as private property, and that there, amongst the negroes of Abyssinia, Ashantee, and Central Africa, the Zulus and Kaffirs of South Africa, the Indians of North and South America, the Aborigines of Australia, the Cannibals of the Pacific and the Tartars of Central Asia, there was savagery, misery and degradation, slavery, polygamy and barbarous tyranny and cruelty far more horrible, widespread, and unmitigated than anything that can be found under the worst conditions where private ownership of land prevails.

In the countries of the Red Indians of North America, the Zulus of South Africa, the Maoris of New Zealand, and the wandering Tartars of Asia, there was no progress in civilisation until land was privately appropriated.

So far from it being true that misery, poverty, and degradation have originated in the private ownership of land, it would be true to say that human misery is greatest and progress has been least where land is not appropriated, and human happiness and well-being have been most advanced where land is held as private property.

The Duke of Argyll said that when he was connected with the Government of India he could not fail to observe that the portion of that country which had most grown in wealth was precisely that part of it in which the Government had parted with its power of absorbing rent by having agreed to a Permanent Settlement.

It is stated that China has a land system under which every one holds from and pays a fixed rent to the State. The holdings are small, the average being 7 acres, and estates of more than 200 acres are very rare.¹ This has not prevented China from being the most stagnant nation in the world. There is no country where there is more poverty, and where the struggle for existence is more severe. The overcrowding exceeds anything to be found elsewhere, and the deaths from infanticide, suicide, and starvation are appalling. The people live and work under conditions which a British workman would regard as unbearable. Their food he would regard as little better than garbage, and the filth of their villages defies description.

¹ "La Famille chinoise," article in *La Nouvelle Revue*, March 1883.

CHAPTER VI

SOME ECONOMIC FALLACIES

IN *Progress and Poverty* H. George devotes much space to an elaborate discussion of the then current theories of political economists as to wealth, capital, and wages, and to the propounding of some theories of his own with regard thereto. He considered it necessary to demonstrate what he deemed to be the unsoundness of the current views, as a preliminary step to supplanting them by substituting for them his own theories and explanations. I have refrained from following him through this part of his dissertation, not because it would not be interesting and instructive to do so, but because it was not really necessary and considerations of time and space had to be borne in mind. It was unnecessary, because if it could be shown that the basis of alleged facts on which he built up the whole framework of his argument was unsound and inaccurate, and that the ultimate conclusion at which he arrived and the policy which he propounded as the legitimate and logical deduction from them were not only untenable and impolitic, but also dishonest and immoral, there was little more to be said about his distinctive proposals; and the result of embarking on a discussion of the other interesting points which he raised, would only be to confuse the really important issues and divert attention to what are largely irrelevant considerations, so far as the one definite practical proposal which he made, which his whole book led up to, and with which alone I have dealt, is concerned.

Throughout this discussion my object has been to refute the theories we were considering by a constant and extensive appeal to facts and experience. There are, however, one or two points with regard to which some brief reference may appropriately be made to the conclusions to which the teachings of political economy lead us.

The Effect of Improvements in Production and Transit

H. George's contention is that "eliminating increase of population," improvement in the methods and powers of production tend to increase the proportion of the aggregate produce which is taken in rent, and to reduce that which goes as wages and interest.¹ His argument runs thus :

The effect of labour-saving improvements will be to increase the production of wealth. Now, for the production of wealth, two things are required—labour and land. Therefore, the effect of labour-saving improvements will be to extend the demand for land, and wherever the limit of the quality of land in use is reached, to bring into cultivation lands of less natural productiveness, or to extend cultivation on the same lands to a point of lower natural productiveness.²

Rent will advance, while wages will fall. Of the aggregate produce, the landholder will get a constantly increasing, the labourer a constantly diminishing, share.³

It has already been shown that, as a matter of fact, these statements are simply untrue, and that might be regarded as sufficient. But it may be useful to point out that an increase in the production of wealth does not necessarily involve any increase in the demand for land, and also that many improvements and developments tend to lower rent rather than raise it.

An increase in the production of wealth often increases the demand for labour. When that is so, the larger number of people employed will increase the demand for land, for food, houses, clothing, etc. ; but H. George expressly excludes the demand for land owing to increase of population. He says "eliminating increase of population," "irrespective of increase of population."

If there is no increase in the demand for labour, an increase in the production of wealth will not necessarily increase the demand for land. Indeed there may be a great increase in the production of wealth, and in the demand for labour, with little or no increase in the demand for land in the process of producing wealth. Finer materials, more highly finished goods, more elaborate and intricate machines employ vastly more labour without any increased consumption of raw material. Fine cotton, woollen or silk goods, costly furniture, expensive dinners, beautiful carriages, expensive pictures, employ much more labour than coarser, commoner and cheaper articles of the same kind, but there is no more raw material in

¹ *Progress and Poverty*, Preface.² *Ibid.* p. 173.³ *Ibid.* p. 246.

the expensive than in the low-priced articles. There is as much raw steel in a blacksmith's or joiner's chisel as would make hundreds of watch-springs. Clearly, therefore, increased production of wealth, through improved manufacturing processes, does not always increase the demand for land, but in the great bulk of cases it does increase the demand for labour.

Improvements in transportation, more, quicker, and cheaper train and shipping communication enormously diminish the disadvantages of distance and bring into the market produce which was excluded before. This throws out of cultivation less favourable land, by enabling the better soils at a distance to take their place. That raises the "margin of cultivation" and thereby reduces rents. The opening up of the United States, Canada, and the Argentine by railways and improved shipping communication has had this effect here. Improvements in tools and machines which save labour in cultivating the soil reduce rent. Improvements which increase the produce of the soil for the same labour reduce rent still more. They all raise the margin of cultivation. Increase the height of buildings, concentrate a town on a less area, and the tendency will be to diminish site values.¹

Rent and the Price of Produce

Another equally old and elementary fact which appears to require restating is that rent forms no part of the price of agricultural produce. Rent is the remuneration received by land-owners for the use of the natural advantages of the land, whether those advantages arise from the quality of the soil or from its position. "Rent arises from the fact of varying degrees of productiveness in the lands actually contributing to the supply of the same market, the least productive land paying no rent or a rent so small that it may be treated as none. The rent of all the higher grades of land is measured upwards from this line, the rent of each piece absorbing all the excess of produce above that of the no-rent land."²

Rent is the surplus of the crop above the cost of cultivation on the least productive lands contributing to the supply of the market." "That surplus, necessarily, so far as economic forces are concerned, is left in the hands of the landlord. There, so far as economic forces are

¹ Marshall's *Principles of Economics*, p. 837.

² F. A. Walker, *Land and its Rent*, p. 21.

concerned, it must remain.”¹ “The amount received from a farmer as rent is not paid either by the agricultural labourer or by the consumer of the produce.”²

The price of wheat is fixed by the cost of producing that portion of the supply which is required in that market which is produced at the greatest disadvantage, that is, on what is practically no-rent land.

If the price of the whole crop of wheat is to be fixed by the cost of raising it on the least productive soils actually cultivated, then rent is not a part of the price of agricultural produce, since the least productive soils pay no rent: and therefore rent cannot be a part of the price of the wheat raised therefrom: and if not of this wheat, then of no wheat, since, as we have seen, the price of the whole crop is fixed by the cost of that portion which is raised on the no-rent land.³

As Ricardo put it: “Corn is not high because a rent is paid: but a rent is paid because corn is high.” If rent were remitted by the land-owner, the tenant would get the same price for his wheat unless he voluntarily gave part of it to the miller, and then the miller would get as much for his flour as before, and so on to the baker.

As the pressure of population requires the cultivation of less and less favourable soil, the price of produce must rise in order to render such cultivation profitable: that will increase the rent of the more favourable land. On the other hand, improvements in communication bring in produce from lands which are so much more productive than the poorest land here that the produce can bear the cost of transportation and still undersell the produce of that poorest land. This will lower rents because that poorest land will be thrown out of cultivation, and the less poor land will become the standard no-rent or very low-rent land.

As the means of production and transit are improved by the investment of capital, the share of the total produce which goes to capital increases. One result of the increase of production resulting from enterprise and capital naturally is that profits and interest take a much larger proportion of the total product than the increase of rent does. “Rent is always the difference between the produce obtained by the employment of two equal quantities of capital and labour” (Ricardo).

¹ F. A. Walker, *Political Economy*, p. 203.

² *Ibid.* p. 236.

³ F. A. Walker, *Land and its Rent*, p. 29.

The Sources of Wealth

Another fallacy is the teaching that labour, in the ordinary sense of the term, is the sole source of value and wealth. In that early and rude state of society which precedes both the accumulation of stock and the appropriation of land, it undoubtedly is so; but labour is the sole source of value in that rude state of society only. Under the conditions of modern civilisation and development, the accumulated knowledge of individuals, their intellectual capacity, their moral power and their organising ability, their courage and their enterprise are our greatest material assets.

The agents of production are commonly classed as Land, Labour and Capital. By Land is meant the material and the forces which Nature gives freely for man's aid, in land and water, in air, light and heat. By Labour is meant the economic work of man, whether with the hand or the head. By Capital is meant all stored-up provision for the production of material goods, and for the attainment of those benefits which are commonly reckoned as part of income. It is the main stock of wealth regarded as an agent of production rather than as a direct source of gratification. Capital consists in part of knowledge and organisation: and of this some part is private property and other part is not. Knowledge is our most powerful engine of production: it enables us to subdue Nature, and force her to satisfy our wants. Organisation aids knowledge. . . . The distinction between public and private property in knowledge and organisation is of great and growing importance: in some respects of more importance than that between public and private property in material things: and partly for that reason it seems best sometimes to reckon Organisation apart as a distinct agent of production.¹

The Importance and Value of Business Ability

It is quite possible to overestimate the importance of capital. Business ability, that combination of mental capacity and moral power with executive and organising ability, which makes a first-class captain of industry, finance, and commerce, is far more valuable and important and much more rarely possessed than capital. Professor Marshall has very truly observed that in developed industrial communities the possession of capital is not the sole, or even the main, qualification for employing labour. The labourer does not look to the employer merely to furnish wages, tools, and materials; he expects him also to provide technical skill, commercial knowledge, and powers of administration: to assume responsi-

¹ Marshall, *Principles of Economics*, pp. 138, 139.

bilities and provide against contingencies: to shape and direct production and to organise and control the industrial machinery. Those who possess the ability to discharge these important and difficult duties can usually obtain capital.

The employer thus rises to be the master of the situation. It is no longer true that a man becomes the employer of labour because he is a capitalist. Men command capital because they have the qualifications to employ labour. To men so endowed, capital and labour alike resort, for the opportunity to perform their several functions and to entitle themselves to share in the product of industry.¹

We have seen that under modern conditions wealth increases rapidly—the quantity and the value of goods produced increases out of proportion to the increase in the number of labourers, and the amount of their labour. To what is that increase due? To machinery and organisation, *i.e.* to capital and the employer. It is invention, discovery, thought, patience, ingenuity that have increased the output of labour enormously. Labour does not necessarily produce wealth. It may be wasted. It may be used to dig a hole and fill it up. It may be unwisely directed and consequently produce meagre results. Genius, courage, and great organising skill may direct it, and thereby increase the value of its output. The *increase*—the larger output—is not due to labour, but to the qualities which have organised, guided, and equipped it. Those qualities are possessed and exercised by *the few*, and it is *the few* who are strikingly successful. They are successful—not by defrauding the workers, but by making their work more productive.

Sir John Lawes, at Rothamsted, found that after land had been continuously used for wheat-growing, in the one case nature being unassisted by manure, and in the other the land being suitably and scientifically manured, the average crops in the last 12 years of the 30 were:

	Corn.	Straw.	Total.
Without manure	730	1120	1850
With special manure	2342	4828	7270

The result showed a profit of 100 per cent on the expenditure of manure. The whole of the extra produce was due to capital and knowledge—not to land or labour.

¹ Marshall, *Principles of Economics*, p. 234.

Where the Profits of Exceptional Business Ability come from

The product of industry is divided into four shares: rent, interest, profits, wages. The employer's profits represent what is left after rent and wages and interest on capital have been provided for. Those profits are the earnings of and the reward for the employer's knowledge, energy, and ability, as distinct from rent and interest. They are not obtained through any deduction from the wages of mechanical labour, nor do they constitute a part of the price of manufactured goods. They are drawn from a body of wealth which is created by the exceptional abilities of those employers. Professor Alfred Marshall says: "The earnings of management of a manufacturer represent the value of the addition which his work makes to the total produce of capital and industry." That employers who make large profits do not make them by cutting wages or by obtaining higher prices for their goods than others do for similar articles of the same quality—that is, that they do not squeeze their profits out of either their workpeople or their customers—is proved by the fact that they do not pay lower wages or charge higher prices for goods of equal quality than less successful traders and manufacturers. They owe their success to superior ability, energy, economy, courage, judgment, and prudence. Their profits consist of wealth created by themselves, over and above the wealth which would have been produced in similar industrial enterprises by the same labour and capital under the control of employers of less efficiency.

Professor Marshall says great American fortunes were sometimes "earned mainly by the supreme economising force of a great constructive genius working at a new and large problem with a free hand: for instance, the founder of the Vanderbilt family, who evolved the New York Central Railroad system out of chaos, probably saved to the people of the United States more than he accumulated himself."¹

The more inventions and discoveries accumulate, the more complex society becomes, the more civilisation advances, and the more wealth increases, the greater are the risks which commercial and industrial enterprises have to face and the more important and valuable do those who can accurately and successfully anticipate and guide the public demand become. Many enterprises fail. Works are constructed, buildings are erected, plant

¹ *Principles of Economics*, p. 686.

is put down, and the thing fails. The workmen were paid their wages. If they had shared the profit only, they would have got nothing; as it was the capitalist lost. A canal from Lough Corril to Lough Mask was cut through limestone, which proved to be porous and the water ran through it into the earth. The result was that the canal was a costly failure. Many undertakings—some railways, for example—pay little or no interest or dividend, but they pay wages.

The conceiving mind which initiates the enterprise is always at the root of the whole result, the constructive mind which thinks out the details and designs the structure comes next: the capitalist, who risks his money in the venture, and that other class of capitalists who undertake the actual work of digging or of building, come third and fourth in order: whilst the manual labourers, with their skill and experience in the use of their own muscles and in the handling of tools, come last of all—last in point of time, and in order of merit, and in efficiency of causation, but nevertheless as indispensable as any other.¹

Most of the greatest fortunes of modern times have been made by men who were neither land-owners nor capitalists, although, as the result of their success, most of them ultimately became both land-owners and capitalists. Brassey, Morrison, Lister, Coats, Holden, the Rothschilds, Aird, Furness, Brunner, and Wills in this country, and Vanderbilt, Gould, Morgan, Rockefeller, Carnegie, Harriman, Marshall Field, and Wanamaker in America, did not originally make their money out of land. They made it by superior management, which was the outcome of superior knowledge and ability, sound commercial and financial judgment and great courage and tenacity, combined with exceptional organising capacity.

Amidst it all, "it is doubtful," says Professor Marshall, "whether the aggregate of the riches of the very rich are as large a part of the total national wealth even in the United States or in England now as they have been in some earlier phases of civilisation. The diffusion of knowledge, the improvement of education, the growth of prudent habits among the masses of the people, and the opportunities which the new methods of business offer for the safe investment of small capitals—all these forces are telling on the side of the poorer classes as a whole relatively to the richer. The returns of the income tax and the house tax, the statistics of consumption of commodities, the records of salaries paid to the higher and the lower ranks of servants of Government and public companies, tend

¹ Duke of Argyll, *Unseen Foundations of Society*, p. 441.

in the same direction, and indicate that middle-class incomes are increasing faster than those of the rich ; that the earnings of artisans are increasing faster than those of the professional classes, and that the wages of healthy and vigorous unskilled labourers are increasing faster even than those of the average artisan." ¹

NOTE

Speaking in London in June 1912, Sir William Lever, of Port Sunlight, said :

We have in all productive enterprises three factors. There is first a supply of the raw materials which are required. These vary in value and in price according to harvests of plenty and harvests of scarcity, and the finished product, according to the law of demand and supply and consumption the world over also varies in value. That is a variable quantity. There is no fixity about it. No manufacturer can tell on the 1st of January what his raw materials are going to cost him through the year to the 31st of December. With skill and foresight and knowledge he may be able to form a very accurate judgment, but even then, however accurate his skill may be, he cannot exactly tell what his raw material will cost. Now, on the other hand, he has in labour and in interest on capital a fixed quantity. If raw materials are dearer he cannot pay any less to labour, nor can he pay any less interest on capital. Those are fixed. Therefore when you have a variable manufacturing cost and a varying market value, and fixed charges in the form of interest and wages, rates and taxes, repairs and renewals, depreciation and so on, you must have a variable remainder. It may be a profit or a loss, but it will always be variable. You have variable values for your raw materials and for the article you produce. You have fixed charges, and you are bound to have a variable remainder in the profits. There is no getting away from that. Now, this variable remainder is produced not, I venture to say, by capital in a sense other than that a business must be equipped with the right and full amount of capital, just as an engine must be supplied with the full pressure of steam ; but this variable quantity or remainder is affected by the skill of management, and I have always resented any one who has talked about Capital and Labour as if they were the only two causes and the only two elements in the productiveness of industrial undertakings. They have always left out the third, which is management. Now, it is management that is going to produce a profit in the variable remainder. By bad management there may be not only no remainder profit, but actual loss. By extremely good management there may be profits in one industry and actual losses in other less well managed industries of the same class and at the same time.

It is management, therefore, that produces the variable remainder which we call profits or losses. I have equally resented the doctrine that was preached by some economists a century ago that labour is the source of all wealth. It is the successful management of labour, and only the successful management of labour that can produce any wealth.

¹ *Principles of Economics*, p. 687.

PART III

THE HISTORY OF THE OWNERSHIP, TENURE, AND
TAXATION OF LAND IN ENGLAND

“The roots of the present lie deep in the past, and nothing in the past is dead to the man who would learn how the present came to be what it is.”—Bishop STUBBS.

“Let us remember that our materials for the legal history of the long age which lies behind Domesday Book are scanty. A long age it is, even if we measure it only from the date of Augustin’s mission. The Conquerer stands midway between Æthelbert and Elizabeth.”—F. W. MAITLAND.

“When historical information begins, the landed estate is found to exist with many of the features of the fully-developed manor.”—PALGRAVE’S *Dictionary of Political Economy*.

“The Theories of the past must be judged in relation to the facts of the past, and not in relation to those of the present. History seems to be proving that no great institution has been without its use for a time and its relative justification.”—Professor ASHLEY.

“The growth of landed aristocracy is partly to be explained by the influence of capital and of patronage in times of severe social struggle and recurring devastation.”—Dr. VINOGRADOFF.

“Our land system is commonly called feudal, sometimes by persons who use the word as a disparaging epithet without any clear notion of what it means. . . . The statement and the belief implied in it are so inadequate as to be misleading.”—Sir FREDERICK POLLOCK.

“To imagine the manorial lord of the Middle Ages as a warrior who has forcibly set himself over a community of freemen is to show that one knows nothing of the documents from the fifth to the tenth centuries, and that one has an altogether childish idea of the origin of feudalism.”—FUSTEL DE COULANGES.

“Some germs of manorial institutions may be found in the Celtic age: the Roman occupation of the island had undoubtedly a powerful influence on its economic arrangements; the Old English period is marked by the full development of the rural township; the feudal epoch finds the Manor at its height; the dissolution of the Manor forms one of the processes by which modern commercial intercourse was brought about, and survivals of the Manorial system and of its component elements may still be observed all over England.”—Dr. VINOGRADOFF.

CHAPTER I

OWNERSHIP, OCCUPATION, AND STATUS IN ANGLO-SAXON AND EARLY NORMAN TIMES

WHEN studying the introduction and growth of particular institutions, laws, and customs, it is essential that we should understand what the previously existing institutions and social and legal structure were, and what were the changes in the political, economic, and social conditions which rendered that growth possible and necessary.

In early times in Europe, when independent tribes ceased to be nomadic and became fixed settled communities, probably the whole of the land of the settlement that was occupied or used belonged to the chiefs or nobles and the freemen. Below the freemen there were slaves and probably an intermediate class who were not fully slaves.

The tribal system continued in Wales, Ireland, and the West of Scotland long after it had disappeared in England as the result of the Roman, Danish, and Saxon invasions and conquests. Whether the manorial system here grew out of the Roman land system and was the result of the natural evolution of the times here as on the Continent, or was introduced by the Saxon invaders, is a disputed point which need not detain us. In either case it was a stage in the progress from the tribal system through private ownership and feudalism to individual freedom. "The settled serfdom of a servile tenancy, theoretically at will but practically for life, succeeded a condition of barbarism and general slavery." Under the manorial system Saxon freemen, like the Greek and Roman citizens, had below them a considerable number of bondmen who were really slaves. It was an early stage of the advance which slowly but steadily continued and developed.

When the Romans left

Under the Romans this country had been prosperous. There were a large number of cities, fine main roads, aqueducts, buildings, and public works. The mineral and agricultural resources were fairly developed in many parts of the country. When they left in the early part of the fifth century a retrograde movement set in; trade and agriculture declined, towns decayed. For many centuries afterwards land outside the towns—which soon became few and small—was worth little. There was abundance of it, and the population was sparse. What was of value to the people was their freedom, such as it was; their homes, such as they were; their cattle and their crops. Their enemies were marauders at home and pirates and invaders from abroad. To protect themselves against these it was necessary for them to band themselves together and seek the protection of some powerful chief or noble or king.

The country was torn by intestine quarrels between the heads of the numerous kingdoms into which the island was divided. There were continual internal feuds and wars, in addition to inroads by the Picts and raids and invasions by predatory Norsemen, Danes, Saxons, and others who gradually effected settlements here. The various invaders drove the ancient inhabitants into remote or unattractive districts or made them their serfs or slaves. Some of them in their turn suffered a similar fate at the hands of subsequent invaders. Those who thus established themselves spent much of their time in either attacking or defending themselves against their neighbours and rivals more or less distant. They were rough times, in which the strong arm was supreme and might very largely held the place of right. The bond which held communities or groups together was the necessity for mutual protection. The smaller folk supported the noble in his quarrels and expeditions and rendered him services on his estate, according to their rank and station, and he in turn upheld and defended them. It was an arrangement for mutual benefit and support.

When parts of the country were occupied by successful invading forces, some of the land was usually given to those who had formed the invading force in portions according to their status and importance, while the remaining portion of the occupied territory was retained by the king or chief. From this demesne he derived his supplies, the work being done by serfs and non-free labourers and smaller workmen and tenants. All were banded together more or

less loosely for defence and plundering expeditions. When one ruler established his authority over the whole of the country the organisation extended and improved, but it was the same in kind and essence. Defence was secured by personal service, and as the country became more settled and towns and commerce developed, levies were made to provide funds.

The Origin of the Manorial System

The origin of lords of the manor is to be sought in the growth of personal dependence and private jurisdiction rather than in any direct development of economic relations. Recent research has made it clear that we must put it back to a remoter date than was implied in much of the current teaching of the authorities thirty years ago.¹

Neither the term *manor* nor any corresponding designation occurs in Saxon times, and there were important differences between the land law and practice of the old epoch and the new. Nevertheless Domesday Book supposes that there were manors in full growth in Edward the Confessor's time, and even before. Vinogradoff says that if we do not find actual manors in Anglo-Saxon times, "we do find several institutions working each by itself, but combining in practice to produce the inchoate manorial system which Domesday supposes everywhere."² The institutions of landlordship, which were the root of the manorial system, were in full work in the last two centuries of Saxon rule.

The consolidation of the petty monarchy wielded in after times by the lord of the manor may have taken place in various ways, and most likely did, according to circumstances, take place in all of them. In some townships a chief house might become richer and more prosperous than the others, until its head possessed a commanding influence and the poorer members were glad to become his dependents. But the man who had thriven and become a lord in his own township would be sought as a protector, sooner or later, by strangers also. There were times of warfare between kingdom and kingdom, and later of Danish

¹ How what was thought to be known, and the old views, have been modified and adjusted, is indicated by Sir Frederick Pollock's preface to the third edition of his little book on *The Land Laws*. The first edition was published in 1883, the second in 1887, and in the preface to the third edition in 1896 he said: "I have found it necessary to rewrite a good deal of the chapter on early customary law, to alter much of the Appendix, and to add a wholly new note on the Origins of the Manor, in order to keep the antiquarian part abreast of the present state of scholarship." Since that was written research has modified the views which were current in 1850-1883 still further.

² *English Society in the Eleventh Century*, p. 340.

harrying and general disorder, in which old bounds and usages were overridden, and the bonds of society loosened. There were times of distress, too, when freemen were ready to "bow their heads for meat" to any who would support them, insomuch that the neediest of them were driven to become not merely dependents but bondmen. Thus the dominion of the stronger landholders, once set on foot, was increased by the submission of many sorts of people, now singly, now, perhaps, collectively. Grants of public jurisdiction and revenues from the king completed the strength and pre-eminence of the lords; and this process, repeated all over the country, had long before the Conquest made England into a land of great estates, cultivated partly by personally free dependents and partly by bondmen.¹

Anglo-Saxon documents, when they do go into detail, show us the tillers of the soil in a condition not materially different from the villenage of the thirteenth century. The labour dues, well known in post-Norman inquests and court rolls, are there; a lord to whom they are rendered is there; the highly artificial system of common-field cultivation, though not described in terms, is plainly there too when one has learnt to trace it. Free communities are not visibly there, only supposed survivals of ancient freedom, which, after all, may be regarded as ambiguous.²

Whatever the precise conditions were prior to that time—and there is still much obscurity about it and considerable difference of opinion among authorities—it appears that when England had become one kingdom something like the manorial system was in existence. In the manorial rolls in which franchises are enumerated "there are English words of immemorial antiquity which had their technical meaning centuries before the Conquest, and which the Norman lawyers, only half-understanding them, thought it prudent to leave untranslated."³

The Constitution of the Manor

The characteristic of the manor was that the area embraced in it was subject to the authority of a "lord of the manor," who owned absolutely a considerable part of the land and had rights of rent or tribute (which in those days was paid in services or produce and afterwards in services and money, and finally in money, until in a large proportion of the cases all rent ceased) over the other portions of the manor.

The manor of Norman times was similar to the "ham" or "tun" of Saxon times. It was the estate of a lord with a village

¹ Pollock, *The Land Laws*, p. 35.

² *Ibid.* p. 204.

³ *Ibid.* p. 11.

community in villenage upon it. In Saxon times there was the same division under different names of the land of the "ham" and "tun" into the lord's demesne and the land in villenage as in Norman times. The lord of the manor was a *thane* and the demesne was the "thane's inland." The villeins were *geneats*, and the land in villenage was *geneats-land*. The smaller tenants on the land were *geburs* and *cottiers*. Beneath these were the *theows* or slaves. Some of the theows were slaves by birth. But it seems to have been a not uncommon thing for freemen to sell themselves into slavery under the pressure of want. "Theows were bought and sold in the market and exported from English ports across the seas, as part of the commercial produce of the island."

New manors were from time to time created, sometimes by life tenures of forest and waste land being granted by the great earls and the king, on which communities were gathered together and villages built. Young thanes built up new "hams" which gradually extended and were in time created into manors.

The Saxon kings, as did their Norman, Plantagenet, Tudor, and Stuart successors, rewarded services and friendships by grants of lands from the royal demesne. The abbots and monks were also continually wheedling grants out of the king and other large land-owners for monastic purposes. Bede complained bitterly that these profuse grants had already in his time seriously weakened the king's power of using the royal estates legitimately as a means of keeping up his army and maintaining the national defences.

Boc-land and Folk-land

Land was for the most part either Boc-land or Folk-land. The view which was generally held, until recently, was that the land which had become the private property of the king, or a monastery, or a private person, was "boc-land"; that all other land was folk-land or public-land; and that this land became attached to the petty kingships as they established their power and asserted their authority and, when the country came under one king, the folk-land was absorbed in the royal demesne and belonged to the people as a whole. Dr. Vinogradoff, however, upset this theory, and proved that folk-land was land held without written title or documents, but under the common or customary law. Professor Maitland says, "What is folk-land? A few years ago the answer that historians gave to this question was this: 'It is the land of the folk, the land belonging to the folk.' Dr. Vinogradoff has

argued that this is not the right answer. His argument has convinced us.”¹

Bookland is land held by book, by a royal and ecclesiastical *privilegium*. Folk-land is land held without book, by unwritten law, by the folk-law. . . . The holder of folk-land is a free landowner, though at an early date the king discovers that over him and his land there exists an alienable superiority. Partly by alienations of this superiority, partly perhaps by gifts of land of which the king himself is the owner, book-land is created.²

Spelman held this view two centuries ago, and he was right. Sir Frederick Pollock, in the third edition of *The Land Laws*, says :

For many years all or nearly all scholars, including myself, accepted Allen's explanation that "folk-land" was *ager publicus*, land held by the nation for public purposes. But it has been shown by Mr. Vinogradoff that this brilliant and plausible interpretation really raised more difficulties than it solved ; and the restoration of Spelman's opinion has been accepted, so far as I know, without an expression of dissent in any quarter.³

We may take it, therefore, as settled that "Folk-land" was land held by folk-right or custom, as distinct from land held by written document, charter, or "book." Different persons might own folk-land. It might belong to private citizens : it might belong to the king for his private use ; it might belong to the State. It did not belong to the community as such : it was not, as was once supposed, public land held for public purposes. Land held by anybody was folk-land unless it had been turned into book-land by a written grant or confirmation.

The System of Agriculture

We have seen that at the time of the Norman Conquest agriculture in England had been carried on under the open field system by village communities in villenage, a system of Saxon serfdom ; and that system prevailed throughout all that part of the country which the Saxons had thoroughly conquered, with some exception in Danish districts where freemen and free tenants were found.

At the time of the Domesday survey the whole of the country was practically manorial or royal demesne. Both in the manors and in the royal demesne the division of the land into two distinct portions—the lord's demesne and land in villenage—was practically

¹ *Domesday Book and Beyond*, p. 244.

² *Ibid.* p. 257.

³ P. 23.

universal.¹ At that time by far the largest part of the country was forest and waste : uncleared and undrained moor, wood and marsh-land. There were 9250 manors, of which about two-fifths were arable or pasture and three-fifths were uncultivated waste.² The demesne of the manor was cultivated by the lord except such portions as he let off to tenants on free tenure at money rents. The land in villenage was held by tenants in villenage, at the will of the lord and at customary services.

The Open Field System

The land was in open fields—in strips—divided into three portions, which were cultivated on the rotation principle. A common holding in villenage was a house with a “virgate,” or a half-virgate or “yard-land.” A virgate comprised about 30 acres—10 acres in each of the three rotation fields—in $\frac{1}{2}$ acre or 1 acre strips scattered all over the manor, to which were added 2 or 3 acres of pasture.

Sometimes villein tenants of virgates or half-virgates also held other land in the lord’s demesne as free tenants, but they remained tenants in villenage for their virgates. There were also smaller cottage holdings, the holders of which were lower in the social scale than the two grades of holders of virgates and half-virgates, who in turn were inferior to the free tenants of portions of the lord’s demesne.

The homesteads of the villeins were in the villages, and the bundles of scattered strips in the open fields went with them. Below the villein tenants were the cottiers with small holdings, and below them the *servi* or slaves, who, after the Domesday times, gradually became merged either among the cottier class, or as household servants or labourers on the lord’s demesne.³ In Domesday serfs have no holdings or tenements in the proper sense of the word.⁴

These holdings of the villeins were held subject to the customary services, but within the restraints of the villenage there was a measure of freedom. There were woods and commons outside the demesne in which the tenants of the lord had rights limited by custom. In some cases there were additional payments for rights of grazing cattle, etc.

¹ Seebohm, p. 84.

² Gibbins, *Industrial History of England*, p. 11.

³ “If we turn to the Old English charters we shall have to recognise that, up to the eleventh century, slavery and manumission from slavery are playing a most important part in social life.”—Vinogradoff, *English Society in the Eleventh Century*, p. 465.

⁴ Vinogradoff, *English Society in the Eleventh Century*, p. 463.

The open fields as well as the lord's demesne were for some centuries ploughed in common, and the amount of the fields—the number of strips—thus allocated to each villein tenant seems to have been in proportion to his contribution to the common stock of work. Eventually the system of common tillage died out, and the villein tenant occupied the scattered strips permanently and cultivated them himself.

Apparently the villein tenants were entitled to certain services from the village artificers and others who were, so to speak, officials of the village or manor. The blacksmith, the carpenter, the keeper of the pound, the chief husbandman who supervised and arranged the ploughing, etc., of the land as the representative of the tenants, each had his house in the village and his share of the open fields, and he held them free of the customary tenant's services in consideration of their special duties.¹ In the bishopric of Durham, in the twelfth century, the pounder, the carpenter, and the smith generally occupied about 12 acres as remuneration for their services to the manor, and the common ploughs of the manor. In other cases the records show that the parish constable, the churchwardens, the parish hayward, and the parish reeve had holdings in virtue of their office.²

How holdings came to consist of a number of scattered strips is explained by Seebohm³ to be due to the way in which the produce of the common holding was allotted to various tenants. His view is, and it is supported by interesting evidence, that each man's share was in proportion to his contribution of oxen, ploughs, etc., to the common tillage, and that, when tilled, the land was allotted in strips of 1 acre or $\frac{1}{2}$ acre as the case might be, as follows:—The first acre ploughed went to the ploughman, the second to the plough irons, the third to the outside sod ox, the fourth to the outside sward ox, the fifth to the driver, the sixth, seventh, eighth, ninth, tenth, and eleventh to the other six oxen in order of worth, and the twelfth for the maintenance of the woodwork of the plough. The number of groups of 12 acres in which a tenant would get one or more strips of an acre would depend on the number of oxen, etc., he contributed to the tillage, and his total holding would be scattered according to the number of separate groups of tillage to which he had contributed oxen, ploughs, or men.

The "common field" system and cultivation in England

¹ Seebohm, p. 70.

² Slater's *English Peasantry*, p. 34.

³ *The English Village Community*.

obtained in Scotland and in Ireland, and was known there as "Runrig" and "Rundale" respectively.

This semi-communal method of cultivation had nothing whatever to do with the idea of any communal ownership of the soil. The cultivators were simply joint tenants for which they all paid rent in kind, or in service, or in money, to the owner of the estate of which this land was a part.

Free Tenants, Villeins, and Serfs

Long before the Conquest a great part of the cultivation of land in England was done by persons who occupied it by agreement with or permission of the owner, and paid for its use in kind, labour, or money, and sometimes in all three. This land was known as *læn-land*—loan-land—and it was said to be held on *læn* or loan.

Under feudalism, the tenant not only paid the owner for his land in money, kind, and labour, but he owed him personal service, and allegiance, and attendance at his court. The tenant's lord might be similarly bound to an over-lord, and he again to another above him.

Mere villenage is that which is so held that the tenant in villenage, whether free or bond, shall do of villein service whatever is commanded him, and may not know at nightfall what he must do on the morrow, and shall ever be held to uncertain dues; and he may be taxed at the will of the lord for more or for less . . . yet so that if he be a free man he doth this in the name of villenage and not in the name of personal service.¹

The state of villenage and of serfage was practically the same in principle; the difference was one of degree. Both were bound to the soil and both were subject to a master. Serfs were not slaves as we understand the term. At the time of the Norman Conquest slaves formed about 9 per cent of the population mentioned in Domesday Book, and within a century after that they appear to have been merged in the cottars.

At this time there were also a number of "socagers" or "soke-men." They were free tenants. They held in fee simple by services to their lord. Their rent was fixed and unalterable. Nor were they fixed to the soil. They were bound to give military service when called upon by their lord. They were of greater independence and of better standing than the villeins. They were much more numerous in the eastern parts of the country than

¹ Bracton, folio 208b.

elsewhere. There they were from one-fourth to nearly one-half the population. Taking the country as a whole, however, they were only 4 per cent. The number of free tenants was, however, constantly increasing. Tenants in villenage often commuted their services into money payments when the lord preferred to have money so that he could employ any one he wished. Sometimes also a lord would prefer to let his own demesne land for a fixed rent, rather than cultivate it himself. Thus the villein might become a free tenant.

The majority of the rural population were probably unfree as late as the thirteenth century, but how great a majority we cannot say. Below the villeins were other personally free tenants described by various names, the lowest of whom were little better off than bondsmen. Certainly a large number of bondmen existed. "Probably most of them were descendants of the British population who had been spared in the Conquest. At all events they were personally in their lords' power, and were at their mercy in everything short of life and limb. Whatever they held of land or goods was held only by the lord's permission and might be recalled at his will." ¹

Personal servile status and land held subject to servile services were two distinct things. An unfree man might hold free land, but that would not make him personally a free man. A free man might hold land on a servile tenure, but that did not make him personally unfree. As Bracton put it: "The tenement changes not the condition of a free man any more than of a slave. For a free man may hold in mere villenage, doing whatever service there-to belongs, and shall none the less be free, since he does this in regard of the villenage, and not in regard of his person." ²

The Growth of Freedom

Towards the end of the fourteenth century the restraints were far less than they had been, but a measure of serfdom remained. Villeins by descent, as distinct from freemen, were bound to render the customary services, and were bound by regulations and liable to fines on marriage or selling an ox without licence from the lord, or if their daughters lost their chastity. If they left the manor without permission, they were pursued and arrested and brought back. The actual services, however, had been almost entirely commuted for money payments; but at times some lords tried to enforce the older and stricter rules. It was this that

¹ Pollock, p. 46.

² Folio 26a.

created discontent and provoked the resentment and revolt which led to Wat Tyler's rising.

Meanwhile, as slavery disappeared and peasants of all grades obtained more or less practical freedom, the wage system naturally and inevitably grew up. The more favourably placed and richer villeins became small farmers and often needed labourers. The lords and large farmers dispensed with servile services, and received or paid money in lieu of them. The poorer villeins and cottars with little or no land were employed by the lord and others who had larger portions of land under their own cultivation.

After the Great Plague of 1348-49 the amelioration of the conditions of the villeins proceeded rapidly. Those who did not become free tenants—and the circumstances of the time enabled many of them to do so—became customary tenants, that is what we now know as copyholders. Thus the great class of yeomen was created and built up. From the freemen, the servile tenants, and the serfs sprang the freeholder, the copyholder, and the free wage-earning labourer.¹

The Customary Tenants—Copyholders

In the old days the lord of the manor was “a kind of small sovereign prince, possessed of his own courts, and doing justice according to his own procedure and customs.” His powers and jurisdiction have been shrivelled by the changes of centuries, until now they are next to nothing and only the names remain.

It is generally held that copyholders are the successors and descendants of villeins who held villein land, and copyhold tenure is villein tenure with the manorial customs protected by law and upheld by the courts. In course of time the greater part of the base tenure and villenage became copyhold on favourable terms, and ultimately was completely enfranchised and became freehold. The conditions of the tenure varied much because the manorial customs on which they were based varied at different times and in different places. As Mr. Tawney puts it, “villeinage was the pit from which copyhold tenure was digged.”

As feudalism died out and the customs of which it consisted weakened, two results ensued. On the one hand the tenants of lands (copyholds) which were subject to them, but had largely shaken them off, were relieved of odious and burdensome obliga-

¹ Freehold was the relation of a free tenant to his lord. Copyhold was the outcome of the relation of a villein to his lord.

tions, and were left far freer to pursue their business and push their fortunes in their own way. On the other hand their title and tenure being a customary one, the weakening of custom weakened their hold and diminished their protection, while the advent of greater freedom brought with it competition, commercialism, rack rents, and market prices.

Technically, with the Conquest the old order of land-owning collapsed, and a clean sweep of old titles was made. Where Englishmen still held land it was by express grant from the king, and if they resumed their old estates the title under which they held was the new one of a grant from William I. Heavy payments had to be made for these resumptions.

CHAPTER II

THE ORIGIN AND BASIS OF FEUDALISM

THE fundamental basis of feudalism arose out of the conditions which prevailed throughout Europe in the later Roman times and the early medieval period. In those days the great and universal need was protection. When the Roman Empire was decaying and the German settlement was chaotic the safety and protection which a settled and powerful government should provide were wanting. On every hand was felt the need of protection against the attacks of oppressive neighbours, invading tribes, or revolting peasants, and sometimes against the oppression and exactions of governments and their officials. The smaller and weaker freemen and land-owners

. . . were exposed to attack in almost every relation of life and on every side. As they could not obtain the protection which a government ought to supply, they were driven to obtain it where they could find it on the terms on which they could get it.

This is the great social fact—the failure of government to perform one of its most primary duties, the necessity of finding some substitute in private life—extending in greater or less degree through the whole formative period of feudalism, which explains the transformation of institutions that brought it into existence.¹

After the Break-up of the Roman Empire

The Roman Empire had been an Empire of settled law and order and of security of individual possession—a dominion of far-reaching civilisation which endured longer than any other of which we have knowledge. It was overwhelmed by hordes of prolific and hungry barbarians, who conquered in order to seize, settle, and possess. “Probably no period in the history of mankind has been so full of

¹ Dr. G. B. Adams, Professor of History, Yale University, article “Feudalism,” *Ency. Brit.*, 11th ed.

misery, or of misery so widely spread, as the long and dark centuries during which the Roman provinces were sinking under the recurring waves of barbarian invasion.”¹

Those centuries began with the migration of the Goths into the Eastern Roman provinces in 376, and may be said to have continued to the Norman invasion of England in 1066—seven centuries during which new possessors were subjugating and taking possession of the old Roman provinces, with the result that during all that time there were few parts of Europe where the people could feel any security of possession in their homes. Compact masses of barbarians overran Europe: in the East the Goths and Huns; in the North and West the Scandinavians; in the South the Arabs. When they conquered a country they sacked the towns and either put the inhabitants in the country districts to death or became their lords and made them their serfs. When these barbarians had lost their nomadic habits and become more or less civilised, bands of armed men overspread the country, plundering and ransacking and levying tribute on every side. When the war between England and France ceased after the battle of Poitiers, the soldiers of the two armies coalesced and made war on their own account. They formed bands and went off north and south ravaging the country. At Avignon the Pope regaled the leaders and gave absolution and 500,000 ducats to their followers.

For centuries people lived in continual terror. Fortified towns and country castles and strongholds were an absolute necessity. The castles required courtyards protected by moats and drawbridges so that the peasants could shelter their crops and cattle. The castle, or lord's or chief's house and its surrounding defences, was the place of common defence to which all resorted in time of danger. It was maintained for the common good by the labour and service of all. When agriculture became more general and conditions became more settled, the peasants commuted their services into payments. The nobles did the same with the kings, and eventually the king, as the representative of the nation, took over the responsibility of defence and the maintenance of internal order, and the cost was borne by all in proportion to their means and ability.

The barons themselves were often a source of trouble and terror to their neighbours. They were apt to carry on warfare amongst themselves in order to enlarge their territories, fill their coffers, and extend their power. Sometimes they and their followers were little

¹ Duke of Argyll, *Unseen Foundations of Society*, p. 196.

better than highwaymen and brigands. They were rough times, and the higher clergy were often no better than the barons. "The Archbishop of Narbonne, at the end of the twelfth century, strolled about the fields with his canons and archdeacons, hunting the wild beasts, plundering the peasants, and violating the women. He had in his pay a band of Argonese *routiers* whom he employed to ransack the country." ¹

The smaller barons were largely crushed out by having their territory seized by more powerful neighbours, or they were compelled to seek the protection of the strong by giving them their allegiance and becoming their vassals. In this way the great barons established dukedoms, principalities, and little kingdoms. As the smaller barons disappeared and strong kings and great feudatories emerged, petty brigandage and warfare between neighbouring barons gradually ceased. Then agriculture improved and spread and commerce developed. Gradually the special need for the military basis of feudalism ceased and in course of time the system faded away. In some parts it perished by warfare, and it has been said, in reference to those cases, that its destruction was brought about by the very qualities which had justified its existence. The old feudal barons and their castles were largely wiped out in England during the Wars of the Roses.

Feudalism was ever changing according to the character and power of the respective kings and their barons and the economic and social conditions which from time to time prevailed in the countries in which it existed. The result was that while different feudal systems in different countries and at different times have been similar in general character, they have varied much in detail because they started from different forms of government and social organisation and have developed in different ways under different conditions. "Feudal history was always a becoming, always a gradual passing from one stage to another, so long as feudalism continued to form the main organisation of society." ²

Feudalism a Natural and Necessary Stage

One of the great gifts bequeathed by the Roman Empire to those who overwhelmed it was its Law. The fundamental principles of the Roman system of jurisprudence were adopted and adapted by the barbarian conquerors, with the result that the principles of equity and order and respect for individual rights

¹ Lafarque, p. 101.

² Professor G. B. Adams.

which had been the strength of the Roman Empire were continued and formed the foundation upon which were ultimately built the liberties which we now enjoy.

The feudal system has been commonly regarded as something new and unique. In some respects of detail and form it was: in principle it was neither. The right of every nation that exists to-day, or ever has existed, to the exclusive use of its territory rests on no other foundation than its power to take, hold, and defend it. Where barbarism has been supplanted by civilisation and progress it has frequently been as the result of conquest, seizure, and subjugation, and in such parts of the earth as Central Africa and the islands of the Pacific, where the aboriginal inhabitants were left to themselves, hideous brutality, degrading superstition, and terrible misery were, and in some parts are yet, the chronic condition. The conscience of mankind has never recognised any obligation on the part of civilised nations to leave these peoples in sole possession of the lands they have drenched with blood and cursed with lust and cruelty.

Every community holds and always has held its possessions on a more or less direct military tenure. Military service is the price of secure possession. The more imminent the danger and the less powerful and complete the other organisations for defence, the more obvious and pressing the necessity for personal service. "The northern races - to whom the outward and settled forms, at least, of military tenure had been unknown in their own country - were all speedily compelled to adopt it when they became the conquerors of other men, and the possessors by conquest of other lands. They neither brought those forms with them out of the lands from which they came, nor did they find them pre-established in the lands which they invaded. Nothing can show more clearly than this indisputable fact that feudal tenures were nothing but the natural expression of insuperable conditions of actual life."¹ Written laws are accepted doctrines systematised and crystallised. Those doctrines are based on custom and experience, which in turn are the outcome of the necessities of the conditions which prevail. The process of building up structures of property, civilisation, and jurisprudence is a slow one. The feudal system of law took 500 years to develop. During rough and rude ages it supplied the place of regular government and enforced the legal doctrines upon which all property and rights depend.

¹ *Unseen Foundations*, p. 211.

In those times every one knew that the possessions of all had been acquired by military strength and rested upon it for continual defence. This power was to them the origin of all existing rights, and the ever-present necessity of protection to enable them to hold and enjoy any property was always before them. "When barbarous invaders were ever in sight, or were actually thundering at the door, men must have borne in perpetual remembrance the allegiance and the services which were due to those who could hold the gates, and when those gates were all in succession forced, and the invading hosts came in like a flood, all those among the conquered races who were allowed to retain their lands could only, and did only, expect to do so on condition of tribute and dependence." ¹

The feudal system was in its time the method by which security was maintained, property defended, and civilisation and progress rendered possible. It grew out of the conditions under which the village communities, manors, and townships evolved. The feudal barons and their men-at-arms formed a permanent defence force, maintained by the people on the estate which they protected and ruled. After the Norman Conquest every incident of feudalism was saturated with the requirements of battle. The tenure of the poorest servant and that of the greatest noble depended upon and were controlled by a similar polity. "What the tenant-in-chief rendered to his king, what his vassals in turn rendered to himself, and what each vassal rendered to the vassals, were all, so to speak, the various parts of the warrior's armour." ²

The Services of the Roman Empire to Civilisation

A form of society which gives security of possession and a system of law which defines, limits, and defends the various and competing rights of persons are fundamental and essential conditions of civilisation and progress. The further research is carried the more do we realise how much Europe and the civilised world owe to Roman Law, Roman Institutions, and Feudalism. A recent writer in a London evening paper ³ said :

The truest indication of what the Roman Empire was is the sigh for its restoration that Europe heaved for nearly a thousand years.

* * * * *

The autocracy that cleaned out the canals in Egypt, planted flax and encouraged pottery in Gaul, irrigated Africa and taught agriculture to the Moorish nomads, set the wild Iberians to mining and weaving,

¹ *Unseen Foundations*, p. 221.

² Griner, *Annals of the British Peasantry*, p. 11.

³ *Pall Mall Gazette*.

built aqueducts and roads everywhere, established a postal system, and policed land and sea so effectively that a man might fare from York to Palmyra, or from Trier to Morocco, "with his bosom full of gold," may be tyranny governing in its own interests, but it is an institution for which the world has every reason to be grateful.¹

* * * * *

Take it for all in all, the Roman Empire was the greatest and most beneficent organization of human life and force that the world has ever seen. That it fell after five centuries is surely not a very damning indictment, as the world goes. . . . The profound sense of tragedy which haunted its orphaned provinces for so many centuries is its best and its sufficient epitaph.

Where Roman Law and Feudalism did not reach

As to Feudalism, the Duke of Argyll very forcibly pointed out that—

We find in the history of Europe the remarkable fact that wealth grew most steadily, civilisation advanced most rapidly, in those nations in which the feudal system reached its highest form; whilst, on the other hand, in those countries in which its essential character was so marked by imperfect growth that even the very existence of it is sometimes denied, the worst economic evils of insecure possession attained their maximum development. This is well seen in the condition during many centuries of those branches of the Celtic race which had been planted beyond the boundary of the Roman provinces, and were thus isolated from the various influences which together determined the main stream of European civilisation.²

The Duke refers at length to the early history of Celtic Ireland in illustration of this view. He quotes Montalembert as—despite his enthusiastic sympathy with the "Monks of the West"—receding, with reluctance and a shudder, the unbroken tale of savage ferocity which is the monotonous burden of the story of the tribal stage of society as exemplified among the Irish Celts from their earliest settlement in the country down to times which elsewhere in Europe were days of much civilisation. It is a dreary record of human degradation and utter savagery, internecine strife, chronic hatred, and continuous slaughter, ravaging, and devastation, interspersed with visitations of pestilence.

The Duke³ contends that the long immunity of the Irish Celts from foreign conquest, owing to their geographical position, proved

¹ "In such matters as transit, public health, police, water supply, engineering, building, and so forth, Rome of the second century left off pretty much where the reign of Queen Victoria was to resume."—Mr. Stobart.

² *Unseen Foundations*, p. 230.

³ *Ibid.*, p. 238.

to be, economically, not a blessing but a curse. The foundations of order and of law had never been laid there, as they had been laid elsewhere in Europe, by the masterful dominion of the Roman Empire. There did not come in an effective form until the sixteenth century that contact and conflict with the superior branches of the Indo-European stock out of which came all the higher civilisations of Europe. Within historic times Ireland had not been conquered, as the other countries of Europe were all conquered, by a fresh and invading race. The Romans never landed on it. The heathen Norsemen did for a time occupy portions of it; but they were driven out. When the Normans at last came to it, they did not effectively occupy it. Ireland was not invaded and subdued by the Normans as England was invaded and subdued by them. Henry II. did not attempt to conquer it. He accepted a proffered fealty. He left no garrison, he did not build a single castle or establish a single stronghold. "There was no happy break in the unhappy continuity of old Celtic customs. No Roman colonists had introduced into Ireland the most fruitful of all the gifts inherited by the nations of modern Europe—the gift which the rest of the northern nations had long enjoyed—the great conceptions and traditions of the Roman law."¹

Regarding Scotland, the Duke of Argyll says: "Those parts of Scotland which were for centuries behind the rest of it, and some of which are still the most backward, were precisely those districts in which the clan system lasted longest, and in which its everlasting intertribal wars—hardly less bloody and devastating than those of Ireland—wasted the country and often more than decimated the people."

¹ *Unseen Foundations*, p. 242.

² *Ibid* p 263

CHAPTER III

FEUDALISM IN ENGLAND

The Military Side

IN the earlier Saxon period in England military service was a personal obligation. "The host was originally the people in arms: the whole free population, whether land-owners or dependants, their sons, servants, and tenants." Later, this national levy, the *fyrd*, as it was called, was an array not of the whole able-bodied population, but of representatives of all the households of the country. It was emphatically the host of free men, and in times of necessity it must have included representatives of all the free households of the country.

With regard to the origin of the connection between land-holding and military service, Stubbs says: "In process of conquest, land was the reward of service: the service was the obligation of freedom, of which the land was the outward and visible sign. But very early, as soon, perhaps, as the idea of separate property in land was developed, the military service became, not indeed a burden upon the land, but a personal duty that practically depended on the tenure of the land."¹ Attendance at the *fyrd* became attached to land-holding (not merely land-owning) because it was necessary that the soldiers should be men of some substance and status. "A man without a firm hold on a unit of husbandry, represented by a tenement, could not meet the expenses and requirements of the *fyrd* in regard to equipment, food, and necessary loss of time and labour. It was not merely as a fighting man that he had to appear on the scene, but as a self-supporting householder; and the *fyrd* had to be considered as much from the point of view of the drain on his resources as from that of personal prowess and

¹ *Constitutional History*, vol. i. p. 190.

possible bodily danger. In accordance with this, we find that the duty to serve in the *fyrd* is spoken of as one of the normal incidents of land-tenure.”¹

The Evolution of the Military Organisation

Gradually the system of the military organisation consisting of all householders, though not completely abandoned, passed into the stage where there was a special class of fighting men out of which the feudal system evolved. With the development of more efficiently trained and equipped soldiers and heavily armoured knights the old national levies were insufficiently trained, armed, and organised. As progress in civilisation was made and cultivation became more regular and extensive, it was necessary that a large proportion of the people should settle down to a quieter life. The result was the definite settlement of the armed force on the land as a means of providing for the necessary outfit and training of the soldiers of the time. Society was thus organised on a distinctly military basis with a military privileged land-owning class differentiated from and politically and socially superior to the rest of the population.

Dr. Vinogradoff's view as to the evolution of the military institutions of Anglo-Saxon, Anglo-Danish, and Anglo-Norman social systems is that husbandry provided the broad ground on which the social structure was based. Consumption of produce on the spot was the rule. Commercial dealings were exceptional, and no permanent military system could be formed on commercial lines by hiring mercenaries. Land tenure necessarily became the main condition of military service. Warriors had to be settled and be given means of existence in the shape of tenements of some kind. In the disturbed times out of which feudalism arose an aristocratic military system naturally evolved, because the separation of a class permanently engaged in agricultural work from a class permanently engaged in warlike pursuits became necessary. The professional warrior required special and costly armour and outfit, and a good deal of leisure for warlike occupations. This involved a revenue not derived from his own productive labour. The inevitable result was that the position of the professional soldier became one of political superiority to that of the labourer, and he became the lord of the labourer.

¹ *English Society in the Eleventh Century*, p. 29.

The Old Saxon Militia

Prior to the adoption of the feudal system of military service, there existed in this country the old Saxon national militia, based on the ancient duty of joining the king's expedition against an enemy. This was a duty which was not only prior to, but it was quite distinct from, and was never in the feudal military service. In 1181 Henry II. issued an Assize of Arms to enforce the old duty, under which all freemen were required to provide themselves with arms and armour according to their means.

As Dr. Stubbs says, "the service was the obligation of freedom, of which the land was the outward and visible sign," and it became "not indeed a burden upon the land, but a personal duty that practically depended on the tenure of land." This was a different thing from the feudal military tenure. In Saxon times freedom and the tenure of land were practically synonymous; but *the duty of military service was not an obligation of the tenure of land. It was an obligation of freedom, and as the bounds of freedom were extended, and men became free who were not owners or cultivators of land, they were liable all the same to service, or its equivalent payment as free men.* The institution of feudal military service in its more definite and stringent form as part of the system and condition of holding land direct from the king was the result of the Norman Conquest.

Continental and English Feudalism

Dr. Adams's view¹ is that Feudalism, in any such form as it afterwards prevailed, or in the Continental form of the system and sense of the term, did not exist in England before the Conquest. Certain forms of personal commendation did develop; certain forms of dependent land tenure came into use; but he considers that it was not even the early stages of feudalism.

It is no doubt true that to some extent the feudal system gradually evolved here as in Europe generally. It arose out of the conditions and necessities of the times. It is also true that something like some phases of it had been growing up in England before the arrival of William I., but it had not developed to anything like the extent to which it had been carried on the Continent; and it was in important particulars and consequences entirely different from the system which prevailed there. The Norman Conquest so accelerated, extended, and intensified the system, and

¹ Article "Feudalism" in *Ency. Brit.*

introduced new features here as lands were confiscated and granted to Norman followers, or to Saxon and other leaders and land-owners who submitted and swore fealty, as to really create conditions which were entirely new in practical working, and, indeed, in important respects, in fundamental principle.

While William I. distinctly turned the system of holding land here in the direction of a military tenure, and the circumstances of the time promoted the growth of that kind of tenure and of the whole class of ideas connected with it, he did it gradually, and in several important particulars the system differed from the Continental one. He was careful to avoid those features of the Continental¹ system of feudalism under which the great vassals became rivals of the king. He made the land a grant from himself, and established the doctrine that the military service of the holders of land was due direct to him.

The Norman kings ruled in a twofold character—they were all that their English predecessors had been and something more. The Norman king was chief of the State. He was also the personal lord of every man in his kingdom. In one character he could call out the military force of the State: in the other he could call on his tenants for the military service due from their lands. As chief of the State he levied the ancient taxes due to the State; as lord he levied the new-fangled profits, which, according to the new-fangled ideas, were due to the lord from his tenants. In short, William brought in the side of a feudal doctrine which helped to strengthen the crown and kept out the side which helped to weaken it. The doctrine that a man was bound to follow his immediate lord had destroyed the royal power in other lands. William, by making himself the immediate lord of all his subjects, turned that doctrine into the strongest support of the crown.²

The Norman king “was both king and lord of all within his realm. To the English he was in the first place king; to the Normans he was in the first place lord. Each race had need of him, and the Norman kings knew how to play off each race against the other.”³

He had given the Normans their positions and lands. On the other hand he could and did protect the English against local oppressors, with the result that his successors were often supported

¹ “It was the essence of a fief (Continental) that its tenant owed fealty to his immediate lord, and not to the state or the sovereign. The king might be the immediate lord; but in this case obedience was due to him, not in his capacity as sovereign, but in his feudal capacity as lord. Thus, during the height of the feudal system in France, the tenants of the immediate vassals of the crown never hesitated to follow their lord’s standard against the king,”—Taswell-Langmead’s *English Constitutional History*, p. 56.

² Freeman, article “England,” *Ency. Brit.*, 9th edition.

³ *Constitutional History*, vol. i. p. 268.

by the English against the Norman barons. When the Norman barons revolted in favour of William's son Robert as against William Rufus, it was the English who enabled William II. to hold the throne. "Both William Rufus and Henry I. were raised to the throne by the English in the teeth of Norman opposition." Stubbs says that "all the troubles of the kingdom after 1075 in his (William I.) son's reign, as well as in his own, proceeded from the insubordination of the Normans, not from the attempts of the English to dethrone the king. . . . They are invariably found on the royal side against the feudatories."

William I.'s Policy and Plan

Professor E. Jenks, in his *History of English Law*,¹ summarises very clearly what William's plan was, and why it was what it was. The Norman conqueror realised that, except at the risk of certain revolution, he could not attempt to treat the whole of England as his private possession. William's followers wanted their share of the conquest. Many of the English had accepted his authority on promises of good treatment. The Church had to be rewarded for supporting William's claims. "Nevertheless, William and his officials were quite determined not to ignore the obvious fact that the country was his by the universally admitted right of conquest. Prudence might counsel him to reward his followers with gifts of good things, and to allow those English who had made their peace with him to remain undisturbed in enjoyment of their ancient rights. But somehow or another William meant to be a rich king instead of a poor duke." He also meant to render it impossible for his vassals to render his life a burden by their independence and readiness to rebel.

William, therefore, evolved his scheme, out of which emerged a new national law, some of it based on immemorial native usage, some of it imported from abroad, and "not a little imposed by the sheer command of a new and immensely stronger central government." He determined that "every man, noble and simple alike, should hold his land as a pledge of good behaviour. His duties to king, lord, and neighbour, should be settled once and for all; and if he failed in them, he should be turned out of his home and left to starve. It was a drastic scheme; but a conqueror holding a conquered country by the force of the sword cannot afford to be squeamish."

¹ Pp. 27 and 28

“The scheme is embodied in Domesday Book. Much of its details are, no doubt, obscure ; it may well be that we shall never understand them fully.” But much is clear. “The universal formula : *A tenet de B* expressed the new bond of society.” The great noble held his manors of the king. His under vassals, down to the lord of a petty manor, held of him. Below him came the group of peasants who from time immemorial had ploughed and reaped the fields of the township within the manor.¹ They owed dues and services to their superior with the result that the ceorl of Saxon England became, in a sense, an “unfree man,” because a substantial part of his time had to be spent in labouring on his lord’s domain, because he could not sell his land or even desert it without permission, and his rights as a land-holder were only protected by custom and his lord’s court, and not by common law and the royal tribunals.

Military tenants had to provide a knight for every 4 or 5 hides of land—500 to 600 acres—held by them to give personal service in arms if required for 40 days in one year. Military service was personal, variable, and uncertain, and applicable only for and in emergencies.

Dr. Stubbs² expresses the opinion that before the Norman Conquest all land-holders, having been bound to the duty of national defence, and a certain quantity of land having customarily furnished a fully-armed man, the old rate of military obligation was in all probability continued in the case of the new grantees after the Conquest ; and he regards it as improbable that gifts of lands by William I. were made on any expressed condition or accepted with a distinct pledge to provide a certain contingent of knights for the king’s service.

Other Tenures

All land was not held on ordinary military tenure. In addition to and side by side with it there were other tenures—frankalmoign, burgage, socage, and sergeanty. Some held on “free-socage” and some on “burgage.” These were permanent tenures subject to a definite rent. Others held subject to rendering certain services as tradesmen, or to plough lands, cart materials, manure crops, etc. Blackstone says :

It seems probable that the socage tenures were the relics of Saxon liberty ; retained by such persons as had neither forfeited them to the

¹ *Hist. Eng. Law*, p. 28.

² *Constitutional History*, vol. i. p. 261.

king, nor been obliged to exchange their tenure for the more honourable, as it was called, but, at the same time, more burthensome, tenure of knight service.

Tenure in *burgage* was really tenure in socage in boroughs, and was considered by Blackstone to be "plainly a remnant of Saxon liberty."¹ Concerning the "Socagers" Professor E. Jenks² says :

Probably they were substantial ceorls who, because they kept clear of rebellion, could not be deprived of their lands, and who, because they were too wealthy, could not be treated as serfs. They were probably persuaded to go through some form of "commendation" or nominal surrender of their land to the king or other lord, from whom they received it back in terms which satisfied the principle of tenure, but left the tenant very free. It was not inconsistent with socage tenure that the tenant should render personal service to his lord ; but such service must not be of a military character, for that was reserved for knightly tenure, nor must it be of a degrading character, such as that which too often bound the serf.

It seems to have been speedily commuted into a fixed money rent. After a while it ceased to be worth collecting and the socager became practically the absolute owner of his land.

¹ *Commentaries*, vol. ii. pp. 81, 82.

² *Hist. Eng. Law*, p. 29.

CHAPTER IV

FEUDALISM IN ENGLAND

The Financial Side

DR. VINOGRADOFF considers that one of the most remarkable features of the history of England is the early development of taxation here. "While other European states were slowly struggling to evolve taxation for common purposes, and while their sovereigns were still almost entirely dependent on the scanty revenue of feudal aids and occasional subsidies, England presented comparatively a very advanced system of direct taxes."

The King's Revenue under the Saxons

The Saxon king had (1) his private estate of land which he could dispose of by will; (2) the demesne of the crown-land, palaces, cities, and boroughs upon old royal estates. These he held as king, and the consent of the Witenagemot was required to their alienation.

In addition to tolls and market dues, coinage revenue, proceeds of justice, and fines for non-attendance, there were three sources of public revenue:

1. Customary payments in kind and money, such as food, rents, carriage service, housing and quartering duties, which represented providing for the needs of the king and his household, and for the lord.¹

2. Ordinary levies on houses and holdings, which were local taxes collected through the lord.

¹ "In Saxon Britain, as in Frankish Gaul, the king and his chief nobles levied on the produce of their estates, not by drawing half-yearly rents and converting them into money, to be spent in their own distant palaces, but by moving about from tun to tun, from vill to vill, and calling upon their tenants for supplies of food which were consumed upon the spot by themselves and their retainers, doubtless with much wassail and jollity."—*Political History of England*, vol. i. p. 226.

3. Extraordinary impositions—the gelds levied by the king. These gradually became the main common tax of the realm. The two taxes or gelds which were levied in times of special danger were “Shipgeld” and “Danegeld,” the latter being intended to repel the Danes. It was levied on all occupiers of land. In the later Saxon times it was levied when there was no invasion, with the result that it was very unpopular and difficult to collect. It was abolished by Edward the Confessor, but was revived by William I. and continued till 1163.

Before the Conquest land held by churches, monasteries, or lords for their own sustenance was the *inland* of the owner, and was usually free from taxes because it provided for the maintenance of the knights or clerics who performed military services or religious functions for the king and the public. The other land held from them by their tenants, whether free or servile, was the *warland*, and had to pay all the dues and taxes.¹ The idea was that the demesne land of the military and clerical class should be free from geld, and that the other land should bear the burden of dues for it, the object being to provide a class of men who should fight and pray, and another class who should pay. They were not, however, free from danegeld and extraordinary taxation of that nature.

The *trinoda necessitas*, from which neither thane nor ceorl was exempt, was the threefold obligation of all free men to serve in the national army, to build and repair fortresses, and to build and maintain bridges.

The view of the early and middle ages was that the king should live and administer his kingdom on his hereditary revenues and the income from his estate. As we have just stated, prior to the Norman Conquest and more fully developed and strictly enforced afterwards, the king's revenue was mainly derived from the royal demesne (or public land), which was of vast extent; from fines, taxes, and trade dues, and from special levies.

Under the Normans

Under the Norman régime the king's tenants-in-chief, in addition to military service, were also bound to give an “aid” to the king when his eldest son was knighted, when his eldest daughter married, and to ransom him should he be taken captive. Dowell says that, except on these three occasions, “the king had no right to put his

¹ Vinogradoff, *English Society in the Eleventh Century*, pp. 186-9.

hand upon the purse of a military tenant.”¹ There were, however, many other fees, incidents and casualties—all sources of revenue—under the feudal system. There were payments on the death of a tenant-in-chief, wardships when the heir was a minor, fees on the alienation or taking up the inheritance on lands. In these we see resemblances to the Death and Stamp Duties of our times.

For several centuries no distinction was made between property held and administered by the king in right of the Crown and on behalf of the nation, and property belonging to him as an individual. After the Conquest whatever was found in the king's hands was thrown into one mass with what had come to the Crown by forfeitures and confiscations, and the whole was registered in Domesday as *Terra Regis*.

A large part of the demesne consisted of (1) land held by rural tenants; (2) land held by town tenants—most of the cities, boroughs, and towns had been founded on public land; (3) royal forests, and (4) the waste land attached to (1) and (2). From the tenants of these lands the king received rents which were collected by the sheriffs. After a time most of the cities and towns were granted charters, and the rents were commuted for a definite fixed annual payment. All the tenants, rural and urban, were liable to contribute according to their means to assist the king on occasions of special expense.

From fines for crimes and offences committed, and for privileges, charters, and monopolies granted, a considerable revenue was obtained. Customs and trade dues were levied at ports and towns, and tolls and dues at markets. The king had also rights of purveyance—that is, the right to be supplied with horses and conveyances in any part of the country; and of pre-emption—that is, the right to purchase what was required for the royal household on special terms. Special additional levies were made on all classes of owners and occupiers of land, and on towns as occasion required, to repel invasions and raids.

At first William I. appropriated merely the public and private royal demesne and the forfeited estates of those who had taken up arms against him. Keeping an immense estate for himself he divided the balance amongst his comrades in arms. At first he re-granted the estates of the majority of the English laudholders to them; but as insurrections followed insurrections in various

¹ Vol. i, p. 23.

parts of the country, he confiscated the estates of the rebels and conferred them on his Norman followers, in feudal tenure.

On Whom the Burdens fell

The feudal burdens, dues, and incidents were not levies and burdens borne by the barons and lords of manors only. They were, so to speak, collected from or rather through them, but they descended right through the social scale. The barons and lords of the manor imposed similar burdens, dues, and incidents on their vassals and dependents as the king did on them. Thus the ramifications of the feudal system extend from the top to the bottom of the social structure.

Under William Rufus the feudal rights of the king and the procedure of the Courts were turned into instruments of pecuniary extortion, and of arbitrarily taxing tenants-in-chief under the colour of exacting a legal due. The system then fixed upon the tenants of the king was naturally and, indeed, necessarily extended by them to their sub-tenants.¹

It is needless to observe that the actual burden of the feudal imposts as well as the older taxation fell on the English: for the Norman lords had no other way of raising their reliefs, aids, tallage, and the rest than from the labours of their native dependents. The exaction may have been treated by them as a tyrannical one, but the hardship directly affected the English.²

In William II.'s time—"On the body of the people in the first instance fell the burden of the imposts laid on their feudal masters. It was from them, by similar exactions of reliefs, wardship, marriage, and forfeiture that vassals raised money to redeem their own rights: every wrong that the King inflicted on his vassals they might inflict on theirs." ³

The sub or inferior feudatories or tenants held from their superior on terms of service, money, or corn and cattle, as their superior held from his superior or the king.⁴

By Henry I.'s Charter—*inter alia*—the laws of King Edward with the Conqueror's amendments were restored to the English people: the feudal innovations, inordinate and arbitrary reliefs and ameracements, the abuse of the rights of wardship and marriage, the despotic interference with testamentary dispositions were renounced: and as a special boon to tenants by knight service, their demesne lands were freed from all demands except service

¹ Taswell-Langmead, p. 81.

² Stubbs, vol. i. p. 279.

³ *Ibid.* vol. i. p. 301.

⁴ Blackstone's *Commentaries*, vol. ii. p. 57.

in the field. The like reliefs were to extend to the vassals and men of the barons and tenants-in-chief.¹

Blackstone's View

Blackstone says that the aids, benevolences, reliefs, fines, wardships, fines on marriages, alienations, which were levied in addition to military service and socage by the Norman kings, were not originally intended and understood by our ancestors when they subjected themselves to them. "By consenting to the introduction of feudal tenure, our English ancestors probably meant no more than to put the Kingdom in a state of defence by establishing a military system; and to oblige themselves (in respect of their lands) to maintain the King's titles and territories, with equal vigour and fealty *as if* they had received their lands from his bounty upon those express conditions, as pure proper, beneficiary feudatories. But, whatever their meaning was, the Norman interpreters, skilled in all the niceties of the feudal constitutions, and well understanding the import and extent of the feudal terms, gave a very different construction to the proceeding: and thereupon took a handle to introduce, not only the rigorous doctrines which prevailed in the duchy of Normandy, but also such fruits and dependencies, such hardships and services, as were never known to other nations; as if the English had, in fact as well as in theory, owed everything they had to the bounty of their sovereign lord."

"Our ancestors, therefore, who were by no means beneficiaries, but had barely consented to this fiction of tenure from the crown, as the basis of a military discipline, with reason looked upon these deductions as grievous impositions and arbitrary conclusions from principles that, as to them, had no foundation in truth."²

This led to friction and difficulty between the king and the barons, and they were continually in a condition of more or less passive or active revolt. We have seen that, so soon as the year 1100, a Charter was obtained from Henry I., which had been described as "the first limitation which had been imposed on the despotism established by the Conquest." The unlimited demands made by both the Conqueror and his son Rufus on the barons were exchanged for customary fees, and the barons were bound down to do justice to their under-tenants and to renounce tyrannical exactions from them. As cultivation of the land spread and improved, tenants

¹ Stubbs, vol. i. p. 305.

² *Commentaries*, vol. ii. p. 51.

of the greater barons subdivided their holdings and received under-tenants on condition that they rendered them similar services to those which they themselves rendered to their lords. In this way the feudal profits of the new under-tenants, the fees and fines of wardship, reliefs, and the like, went to the superior tenants and not to the barons.¹

The towns speedily rid themselves of the most oppressive incidents of the newly-imposed feudal tenures. "Charter after Charter during Henry's reign raised the townsmen of the boroughs from mere traders, wholly at the mercy of their lord, into customary tenants, who had purchased their freedom by a fixed rent, regulated their own trade, and enjoyed exemption from all but their own justice."²

The Military Difficulty

Another difficulty was that the possessions of the Norman kings on the Continent were more extensive than their kingdom here. As they were involved in frequent wars there, and they attempted to enforce strictly the obligation of personal service in arms in them upon the nobles and knights and their subordinates here, continual objection and friction arose.

On Henry II.'s accession, there were three kinds of military force—all more or less ineffective or burdensome.³

1. The Standing Army of mercenaries he had promised to disband.

2. The tenants in chivalry who were divided amongst the feudatories who had each been fighting for himself, and at best their service was only for a limited term.

3. The national fyrd or militia, which had little discipline and could not be used abroad unless the individual soldiers volunteered and were paid.

The king met the difficulty by keeping the mercenary force abroad and using it there. As regards the feudal tenants, he desired to weaken the power of the great feudatories by disarming their vassals and obtaining resources under his own control. The introduction of scutage in lieu of military service achieved that object.

Money Payment instead of Personal Service

In the second year of the reign of Henry II.—1156—this system

¹ Green's *Short History of the English People*, p. 173.

² *Ibid.*, p. 93.

³ Stubbs, vol. i. p. 587, etc.

of a money payment in lieu of personal service was introduced, and in 1159—less than a century after the Battle of Hastings—the principle of a payment in commutation of personal service was definitely established. This payment or tax, which was termed “Scutage,” or shield money, was levied on the knights’ fee of the military tenants of the king when he was at war. One was levied in 1159, in 1172, and in 1186. When scutage was paid by the military tenants, a corresponding tax, termed a “Tallage,” was levied on the towns and on the rural freeholders and the non-military rural tenants.

The Assize of Arms in 1181 supplied a national force to resist invasion and attack at home. The requirements were that the owner of a knight’s fee must possess a coat of mail, a helmet, a shield, and a lance : the freeman owning 16 marks of rent or goods must have the same : the owner of 10 marks in rent or goods must have a hauberk, a headpiece of iron, and a lance : and all burghers and freemen must have a wainbois, headpiece, and lance : while the smaller men of less substance were only called upon to provide themselves with a bow and arrows. This was in effect a levy according to “means and substance,” that is to say, according to ability to pay.

The Danegeld, which had been abolished by Edward the Confessor, was revived by William I. in 1084, and was maintained as a regular impost for nearly 80 years ; but it always led to friction and difficulty, and when scutage and tallage were systematically adopted, danegeld was dropped. When danegeld was levied on the counties a corresponding aid or auxilium was required from the towns.

The Commutations

In the latter part of the thirteenth century, in the time of Edward I., “scutage” was levied on all the military tenants according to their holding. A “Knight’s fee” was usually 4 hides : a hide was usually 4 virgates : and a virgate was usually 30 acres. That is, 480 acres for a knight’s fee. A normal “scutum” was 40s. for one knight’s fee. That was equal to 1d. per acre, and the charge was made on the tenants at that rate. The “scutage” on a virgate of 30 acres was 2s. 6d. Really the extent of a virgate and a hide varied somewhat in different parts of the country. An acre or strip was supposed to represent the amount of land which could be ploughed in a day, and consequently it varied according to the heaviness or otherwise of the soil. Ultimately the term

“carucate,” or “the land of a plough team,” was used instead of “hide.”¹

By the latter part of the thirteenth century the customary services of villenage had also largely been commuted for money payments in some parts of the country, and 16s. to 20s. was a usual payment in Beds and Bucks.² In other parts the services were still rendered, while in others again, while the services to be rendered were set out in great detail in Hundred Rolls, the money value assigned to each of them was stated. The principal services of the villein tenants were 2 or 3 days a week ploughing, reaping, and carting, with certain occasional and extra services which the lord was entitled to require. In addition there were quarterly payments in money or kind: ecclesiastical dues: and the assessment for their share of the manor’s tax in the shape of tallage and scutage. Cottiers had similar but less services to render and smaller contributions in kind to make.

The object of these changes was quite as much to strengthen the power of the king and weaken that of the barons as to relieve the tenants. By allowing the tenants and towns to commute their personal service in the field for a money payment, Henry II. obtained means which enabled him to maintain a force of mercenary soldiers who were entirely at his own disposal, and at the same time he diminished the military power of the barons. After a revolt of a number of the barons in 1173-74, the king in 1181 restored the national militia of Saxon times, to which reference has already been made. He thus replaced the feudal organisation by the older obligation of every freeman to serve in defence of the realm. Every knight, every freeholder, every burgess, and every poorer freeman was bound to respond to the king’s call, armed according to his position and means. The power to levy an armed nation wholly at its disposal for purposes of defence relieved the Crown from its dependence on the barons and their feudal retainers. This national militia was again reorganised by Edward I. in 1285 by the Statute of Winchester, under which every man was bound to hold himself in readiness, duly armed, for the king’s service in case of invasion or revolt.³

Taxes on Personal Property

We have observed that Henry II., in the Assize of Arms in 1181, took a long step towards taxing rent and chattels by obliging the

¹ Seebohm, p. 39.

² *Ibid.* p. 41.

³ Green’s *Short History*, p. 172.

owner of such property to equip himself with arms according to the amount which he possessed.¹ In Henry III.'s time also an Ordinance of Arms exacted the possession of proper equipment for militia service from every independent householder who could be rated for the possession of chattels worth over 20s.² This would mean freemen, as, according to feudal law, the chattels of serfs would be deemed to belong to their lords. This step and the introduction of the tax on movables indicates the development in the material wealth of the country which followed the reforms of Henry II., and the change in the method of raising the revenue and forces of the Crown which naturally and necessarily followed thereon. "The Scutage affects the tenants in chivalry: the donum or auxilium, hidage or carucage, affects all holders of land: the tenth, seventh and thirteenth, all people in the realm."³ As a rule all these taxes were not levied together. It was only on special occasions or for special needs that they were all levied in one year. "The Knights paid aid or scutage, the freeholders carucage, the towns tallage: the whole or each part bore the name of an auxilium."⁴

In 1188 a new form of general tax was introduced by Henry II. It is usually described as a tax on movables, but it was more than that; it was really a general property or income tax. In the first instance it was levied for the Second Crusade to deliver Jerusalem from Saladin. It was known as the Saladin tithe. Every freeman, rural and urban—land-owner, tenant, or townsman—was required to contribute one-tenth of his rents, cattle, crops, stock-in-trade, and chattels unless he personally took the cross and served in the expedition.

Another tax was instituted by Richard I. in 1194. It was termed "carucage," and was levied on ploughed land at rates which usually ranged from 2s. to 5s. per 100 acres. It was practically a revival of danegeld, and was objected to on the same grounds and was abandoned in 1224.

The Great Charter

Amongst the grievances which led to the revolt of the barons which ended in the grant of the Great Charter in 1216, were the facts that Richard and John had raised the rate of the scutage,

¹ Stubbs, vol. i. p. 581.

² *English Society in the Eleventh Century*, p. 26.

³ Stubbs, vol. i. p. 582.

⁴ *Ibid.* vol. i. p. 583.

restored the danegeld, taxed movables as well as land, and imposed aids, fines, and ransoms at the pleasure of the king. The Great Charter provided that "no scutage or aid shall be imposed in our realm save by the Common Council of the realm," and, as Green points out, the rights which the barons claimed for themselves they claimed for the nation at large. "The under-tenants or farmers were protected against all lawless exactions of their lords in precisely the same terms as these were protected against the lawless exactions of the Crown."¹

The tax on movables continued. It was levied at various rates according to necessity. It was more frequently resorted to than any of the other direct taxes, and gradually danegeld, scutage, tallage, and carucage were merged in it. The grants of these taxes sometimes included rent from land, and sometimes were limited to particular descriptions of movables; but, generally speaking, these taxes were levied outside the towns upon the cattle and crops of the landholders, and in towns upon the capital value of stock-in-trade and chattels.

Disappearance of Scutage and Tallage

Scutage, in lieu of personal military service, was levyable by the great landlords upon their military tenants. It led to much friction and ill-feeling between the king and his barons, and between them and their knights. Disputes as to liability and as to conditions of tenure were frequent. The tax became difficult to collect and the yield steadily diminished. It was one of the causes of discontent which led to the crisis which culminated in the grant of the Great Charter by John. Scutage finally disappeared as a tax about 1320.

Tallage, which, it will be remembered, was the corresponding tax to scutage, and was levied on the towns and the non-military rural tenants, fell into disuse, and was abandoned in 1332, a system of general parliamentary grants having been substituted for one of negotiation with separate sections of the community.²

The Burden of the Feudal Charges

The burden and annoyance of the services and payments of the feudal system were by no means solely or even chiefly felt by the great land-owners. They oppressed and harassed all classes of the people in every grade of the social structure. Even when the

¹ *Short History*, p. 129.

² Dowell's *History of Taxation*, vol. i. p. 76.

system had been considerably modified and was, in fact, breaking down, there were anomalies and abuses which were burdensome and exasperating. "We sometimes find, even in England, that Knights' service is due, at least what is called Knights' service is due, to a lord who owes no Knights' service to the King, or that more Knights' service is due to the lord than he owes to the King."¹ Lords, especially ecclesiastics who held lands on a tenure on which they did not owe military service, insisted that lands held by their tenants were held on military tenure; they claimed payment in lieu of service and enforced reliefs, wardships, fees on marriage, etc.² In the thirteenth century the king would sometimes exact scutage from the tenants of his tenants-in-chief, although these tenants-in-chief were already rendering service or payment for the land. Thus he got the service or payment twice over.³

Serfs paid fines and annual taxes to their lord for leave to live away from the manor. Serfs paid fines on the marriage of their daughter. Other fines were paid if men married daughters in other manors. Fines were paid to the lord for permission to go to the schools or to enter the church.⁴ Small tenants in socage often paid scutage as well as rent, and their tenures were often nominally and technically military—the same as those by which the knight held his manor. "When we get among the holders of small plots we constantly find that they must pay scutage while they also owe substantial rents."⁵ Tenants' sons paid fines on succeeding to the father's cottage. Dr. Savine estimates that there were still some five hundred villein families as late as the accession of Henry VII., and about half that number in the reign of Elizabeth. There is an instance of the legal surrender of an escaped villein as late as 1561.

The popular idea, continually repeated in speeches and pamphlets, that under the feudal system the great land-owners bore all the burden of the financial and military requirements of the State, is the result of a complete misapprehension of the facts. The burdens of the feudal system, and all its oppressive incidents, fell upon all classes in every grade of the social scale, and those who rendered military service were largely relieved of other payments because they rendered that service.

¹ Pollock and Maitland, p. 233.

² *Ibid.* p. 244.

³ *Ibid.* p. 249.

⁴ Rogers, *Six Centuries of Work and Wages*, p. 45.

⁵ Pollock and Maitland, p. 257.

CHAPTER V

FEUDALISM, A TRANSITION STAGE

THE Great Charter of 1216 specifically provided that all the rights secured by the barons as against the Crown should be equally secured by the people as a whole as against the barons. Stubbs says :

Clause by clause the rights of the commons are provided for as well as the rights of the nobles : the interest of the freeholders is everywhere coupled with that of the barons and knights : the stock of the merchant and the wainage of the villein are preserved from undue severity and amercement as well as the settled estate of the earldom or barony. The knight is protected against the compulsory exaction of his services, and the horse and cart of the freeman against the irregular requisition even of the sheriff.¹

This proves, if any proof were wanted, that the demands of the barons were no selfish exaction of privilege for themselves : it proves with scarcely less certainty that the people for whom they acted were on their side.²

Maitland enforces the same interesting and important point :

Henry I.'s Charter carefully stipulates that his behaviour to his tenants is to be the model for their behaviour to their tenants. They are to take no more than a just and lawful relief, and are to be content with such rights of wardship and marriage as suffice for the King. The rising, again, which won the Charter of 1215, was distinctly a national rising and the rights which were secured to the tenants in chief as against the King, were secured as against them for their tenants.³

Parliamentary Control of Finance emerging

The truth is that parliamentary institutions were slowly emerging and the foundations of control of the tax-payers over the public purse were being laid. When military service had been commuted for a money payment the next step was that prelates, baronage,

¹ Stubbs, vol. i. p. 531.

² *Ibid.* vol. i. p. 531.

³ *Constitutional History of England*, p. 160.

and commonalty combined to demand that they must be consulted before the king was competent to levy the military tax. This was done in 1216, and the principle of popular assent to all extraordinary taxes was affirmed in the Great Charter and gradually developed.

Many of the controversies between the kings and Parliament, especially during the thirteenth, fourteenth, and fifteenth centuries, were due to the different views which the two parties took as to what dues, fees, and taxes the king was entitled to levy without the express sanction of Parliament. A continual source of dispute was as to whether the right of the king to tallage demesne towns and lands had been renounced by Edward I. in the Confirmation of the Charter in 1297. The last attempt to levy tallage was in 1332, and a Statute of 1340 seems to have abolished the royal prerogative of tallaging demesnes. According to Coke no scutage was levied after the eighth year of Edward II. The impost was expressly abolished by Statute 12, Charles II.

“The disappearance of these ancient taxes is not to be attributed either to the opposition of the Parliament or to the good faith of the King so much as to the fact that they were being superseded by other methods of exaction, which were at once more productive and more easily manipulated, the subsidies on movables and the customs on import and export.”¹

The tax on movables became the principal source of revenue. In it was merged the scutage, which was the land tax on the knights' fee, and tallage, the corresponding impost on towns and the royal demesne, and all other forms of direct taxation. Dowell tells us that this tax on movables reached the land-owner through his cattle, farming stock, corn, and other produce of his lands, and the burgher, or townsman, through his furniture, money, and stock-in-trade. The nature of this single tax on movables, and the way in which it reached all classes in the most minute and inquisitorial fashion, is illustrated by some extracts which Dowell gives² from the Colchester assessment rolls which were made for levying the taxes of 1295 and 1301 :

Edward de Berneholte, the sea-coal dealer : Had 30 qtrs. of sea-coal at 6d. a qtr. ; 12½ qtrs. of salt, at 5s. a qtr. ; a brass caldron, value 2s. 6d. ; a cup of mazer (hard wood), value 3s. ; 4 silver spoons at 10d a spoon ; 2 silver cups, value 12s., etc.—Total Assessment, £6 : 3 : 4.

Henry Pakeman, the tanner : Had a mazer cup, a silver buckle,

¹ Stubbs, vol. ii. p. 522.

² *History of Taxation*, vol. i. appendix ii.

4 silver spoons, 2 tablecloths, two towels, and other goods, including movables in house, granary and larder; bark, skins, and utensils for tanning, etc.—Total Assessment, £9 : 17 : 10.

These were men of substance.

Saman, the carpenter : Had a tunic, value 2s. 6d. ; an axe, value 2s. 6d.—Total Assessment, 5s.

William de Tendring, the tailor : Had an old cloak, value 3s. ; a bed, value 2s. 6d. ; a brass pot, value 1s. 6d. ; a pair of scissors, value 3d.—Total Assessment, 7s. 3d.

Gilbert, the Taselece : Had an old supertunic 1s. 3d. ; a sheep 12d. and a lamb 6d. Total assessment, 2s. 9d.

Walter, the Weaver : Had “ a surtout, valued at 2s. 8d.—nothing more.”

The idea that the large land-owners provided all the revenue in those early times is clearly a complete delusion.

During the Hundred Years' War with France many taxes were resorted to with more or less success—poll taxes,¹ house taxes, land taxes, graduated income taxes. Some of these were largely instrumental in fomenting the discontent which led to the peasants' insurrection under Wat Tyler in 1381 and under Jack Cade in 1450, the ultimate outcome of which was that the “ villeins ” or tenants of the manor threw off their tenure of service to the lord of the manor in the cultivation of his land and commuted it for a money payment, as the barons and tenants of the king had commuted theirs. In 1362 the right to purveyance, which had always been a ground of complaint, was curtailed and limited so that it should only be exercised on behalf of the king or queen and that payments should be made in ready money.²

Decay of the Manorial System

An important development was that of the lords of the manor letting their demesne to tenants to cultivate as free tenants at a fixed rent of money or kind. They found this more convenient and profitable than cultivating it themselves. The more prosperous of their villein tenants were glad to avail themselves of this opportunity of improving their position and freeing themselves from servitude by putting an end to their personal dependence on their lord.³ The villeins themselves had become copyholders holding their tenancies, not on mere custom and oral tradition or the whim of

¹ In 1377 Parliament granted the king a poll-tax of 4d. a head on all lay persons over fourteen years of age.

² Stubbs, vol. ii. p. 415.

³ Green's *Short History*, p. 246.

their lord as to the services they should render and the payments they should make, but on the definite conditions carefully inscribed on the court-roll of the manor.

Then came the Black Death of 1349, and the scarcity of labourers and the consequent paralysis of agriculture which followed it. The Statute of Labourers was passed to compel men to work and at the wages paid before the shortage, and to fix prices in accordance therewith. Attempts were also made to return to the feudal conditions as to personal service from the tenants and labourers. Both combined to resist. The villain tenants whose freedom from manorial service was questioned required the work of the labourers whom they were willing to pay, and they supported and aided them in organised resistance to efforts of the lords of the manors to return to labour service.¹ Canon Knighton of Leicester, who lived shortly after that time, says: "They who had let lands on labour rent to tenants, such rents as are customary in villeinage, were compelled to relieve and remit such labour, and either to utterly excuse them or to rehabilitate their tenants on easier terms and less payments, lest the loss and ruin should become irreparable and the land lie utterly uncultivated."²

The manorial system was crumbling away. The labourer was becoming a free man. The wealthier farmers were making a demand to be recognised as the owners of the part of the demesne which they held on lease, and the copyholders were endeavouring to become freeholders. The absolute slavery of the theows had practically ceased. Writing of the period 1377-81, Mr. Green³ says:

The rise of the free labourer had followed that of the farmer, labour was no longer bound to one spot or one master; it was free to hire itself to what employer, and to choose what field of employment it would. At the moment we have reached, in fact, the lord of the manor had been reduced over a large part of England to the position of a modern landlord, receiving a rental in money from his tenants, and dependent for the cultivation of his own demesne on paid labourers.

Disappearance of Villenage and Serfdom

The terrible suffering of the Black Death period had had one advantage. By enormously curtailing the supply of labourers it had made the tenants and labourers very largely the masters of the situation. The levying of the poll tax of 1380 fanned into flame the discontent which had been smouldering for nearly thirty years, and the Peasants' Revolt broke out in 1381. The demand

¹ Green's *Short History*, p. 249.

² *Ibid.* p. 250.

³ *Ibid.* p. 247.

of the Essex and Hertfordshire contingents who joined Wat Tyler's Kentishmen was adopted by the allies as their programme. "Their cry was for the abolition of the service of tenure, the tolls and other imposts on buying and selling, for the emancipation of the native or born bondsmen, and for the commutation of villein service for a rent of fourpence an acre."¹

The king at Smithfield, on June 15, yielded the demands of leaders of the revolt and gave them the charters of emancipation, but before the end of the month he had repented, and on July 2 he annulled the charters of freedom and pardon. The lords, knights, prelates, and monastic corporations were alarmed and declined to recognise the right of the king to deprive them of the services of their tenants, vassals, and villeins. The prisoners taken in the revolt were punished with great severity. All the same a vital blow had been struck at villenage.

The landlords gave up the practice of demanding base services: they let their lands to leasehold tenants, and accepted money payments in lieu of labour; they ceased to recall the emancipated labourer into serfdom, or to oppose his assertion of right in the courts of the manor and the county. Rising out of villenage the new freemen enlarged the class of yeomanry and strengthened the cause of the Commons in the country and in Parliament; and from 1381 onwards rural society in England began to work into its later forms.²

A great social change was consummated. The scarcity and higher price of labourers and the revolt against and the gradual disappearance of the old conditions revolutionised the whole agricultural system of the country. Sheep-farming was largely developed and villenage died away.³ The lords adopted the system of letting their demesne lands to smaller tenants who would pay rent for the land and cultivate it themselves. At first the lord supplied them with stock and charged an inclusive rent, until they were able to stock the holdings themselves and become tenant farmers of the modern type.⁴ Half a century later when Jack Cade headed the revolt of 1450 and presented the "Complaint of the Commons of Kent," the grievances of the people had become political rather than social. Green says, "The question of villeinage and serfage finds no place in the 'Complaint' of 1450. In the seventy years which had elapsed since the last peasant rising, villeinage had died naturally away before the progress of social change."⁵

¹ Stubbs, vol. ii. p. 457. ² *Ibid.* vol. ii. p. 460. ³ Green, *Short History*, p. 258.

⁴ Rogers, *Six Centuries of Work and Wages*, p. 280.

⁵ Green, *Short History*, p. 282.

Feudalism, a Changing and Temporary Phase

It follows from the summary which we have given of its history that feudalism meant different things in different places at different times, and views as to what powers a king had, and overlords under him, and what the rights and position of vassals were varied much and depended largely on the strength or weakness of lord and vassals respectively, and on the stage of development which had been reached at the time which is being considered.

The rights of sovereignty shade off into rights of property; the same terms and formula cover them both; the line between them is drawn rather by force than by theory.¹

To say then of the Norman law of William's day that it was feudal law is to say very little.²

In some of our modern books military tenure has a definiteness and a stability which it never had elsewhere. When, however, we look at the facts all this definiteness, all this stability, vanish. We see growth and decay; we see decay beginning before growth is at an end. Before there is much law about military tenure it has almost ceased to be military in any real sense.³

We also see that feudalism was a temporary phase, a comparatively short stage in the economic, social, and political development of the country. It was not the beginning and foundation of society and the private ownership of property. It was rather a system of government imposed for a time upon conditions of ownership and tenure which existed before. In its turn it passed away and the system of government was gradually transformed, and eventually parliamentary government, more and more as we understand it, was evolved. Throughout it all the fundamental basis of the private ownership of land remained unchanged.

Soon after the Conquest a process begins whereby the duty of service in the army becomes rooted in the tenure of land. This goes on for a century: but before it is finished, before the system of knights' fees has been well ordered and arranged, the Kings are already discovering that the force thus created is not what they want, or is not all that they want. . . .

The King would rather have money; he begins to take scutages. This practically alters the whole nature of the institution. Another century goes by and scutage itself has become antiquated and unprofitable; another, and scutage is no longer taken. Speaking roughly, we may say that there is one century (1066-1166) in which the military

¹ Pollock and Maitland's *History of English Law*, p. 45.

² *Ibid.* p. 46.

³ *Ibid.* p. 230.

tenures are really military though as yet there is little law about them, that there is another century (1166-1266) during which these tenures still supply an army though chiefly by supplying the pay for an army; and that when Edward I. is on the throne the military organization which we call feudal has already broken down and will no longer supply either soldiers or money save in very inadequate amounts.¹

While it is becoming little better than a misnomer to speak of military tenure . . . the tenant will really neither fight nor pay scutage, but there will be harsh and intricate law for him about the reliefs and wardships and marriage that his lord can claim because the tenure is military. Thus in speaking of tenure by Knights' service as it was before the days of Edward I. we have to speak, not of a stable, but of a very unstable institution.²

No really serious war could be carried on by a force which would dissipate itself at the end of forty days.

As to scutage, in the whole course of our history this impost was levied but some forty times, and we cannot be certain that the method of assessing and collecting it remained constant.³

Military service and payment in lieu thereof were always resisted and evaded as much as possible, and by the end of the thirteenth century the whole system was becoming obsolete.

If tenure by Knight service had been abolished in 1300, the Kings of the subsequent ages would have been deprived of the large revenue that they drew from wardships, marriage and so forth: really they would have lost little else.⁴

The Object and Justification of Feudalism

The objects of the feudal system were the same as those of all systems of government, viz.: to secure the maintenance of law, order, and justice at home, and to protect the people and the realm against aggression from abroad. In order to do this it was necessary to provide the king with the means of maintaining his authority and defending the realm against rebellion at home or attack from without. The basis on which the State rested under the feudal system was mutual protection. From the king to the humblest subject, through each grade, it was the personal obligation of the vassal to protect and aid his superior in battle, and it was the duty of the superior to protect the property, rights, and liberty of his vassal.

In Anglo-Saxon times citizenship was derived from tribal and

¹ Pollock and Maitland, p. 231.

³ *Ibid.* p. 231.

² *Ibid.* p. 231.

⁴ *Ibid.* p. 256.

local association and it succumbed with them. In the thirteenth century and onward a citizenship was developing protected by the central government, and gradually obtaining for itself a direct share in the central power and its councils. "Between the two epochs stands again the doctrine, and to a certain extent the practice of feudalism, which throws local and provincial self-government into the shade, but considers the central organisation itself as a federation of feudal potentates and the country as a territorial union of baronies." ¹

Feudalism was a distinct and, under the circumstances of the time, probably a necessary and almost inevitable stage in the march of progress from the period of darkness and reaction which followed the downfall of the Roman Empire.

When conditions so changed that government could free itself from its dependence on the baron, when a professional class arose to form the judiciary, when commerce and towns grew up, when increasing wealth and the circulation of money made regular taxation possible and enabled the government to pay for military and other services, feudalism disappeared as the organisation of society.

"Nevertheless Feudalism had performed a great service, during an age of disintegration, by maintaining a general framework of government, while allowing the locality to protect and care for itself. When the function of protection and local supervision could be resumed by the general government the feudal age ended. In nearly all the states of Europe this end was reached during, or at the close of, the thirteenth century." ²

Modern Methods impossible then

In days when there was little commerce and less money, and every one was more or less either occupied on the land or directly connected with it, the wealth of the country, such as there was, consisted of the land and such stock, houses, and implements as there were upon it. The means of the people were the produce of the soil. Under those conditions modern systems of government and taxation were impossible. Revenue could not be raised in the modern way to enable the government of a state to administer its affairs, maintain order, keep an army and support the dignity and household of the sovereign. Taxes as we know them were few, because they were largely impossible. As such trading as there

¹ *English Society in the Eleventh Century*, p. 213.

² Dr. Adams, article "Feudalism," *Ency. Brit.*, 11th edition.

was, was for the most part barter, and such payments as there were, were made in kind or personal service, so what was then the equivalent of our modern revenue was provided by personal service and payments in kind. These conditions and the difficulties of communication over considerable distances rendered it necessary also that the organisation of the state and its defence should be almost entirely local. The Saxon Earls or Thanes and the Norman feudal nobles were of the nature of sub-sovereigns. They had their own local courts of law and their military forces. Their allegiance and services due to the king were similar to those which their retainers, tenants, and serfs owed to them. Services really took the place of taxes, and they were arranged and, so to speak, collected locally. As civilisation advanced and commerce developed, and wealth increased, other sources of revenue became available. Payment in place of service became possible, and new classes of citizens grew up who were justly called upon to contribute in proportion to their means to the general expenses of the community and the State.

As the transition from the tribal to the feudal system, with the changes which it involved in the personal position of the various grades and classes of the people, was slow and gradual, except in so far as a great and rapid change was made by William I. and his immediate successors, so the transition from the feudal to the parliamentary system, and the great changes in the method of supplying the needs and forces of the state which accompanied it, and, indeed, rendered it possible, was also slow and gradual. In fact, it was spread over something like 500 years, from Henry II. to Charles II.

Professor Maitland's View

“ There are indeed historians who have not yet abandoned the habit of speaking of feudalism as though it were a disease of the body politic. . . . But if we use the term, and often we do, in a very wide sense, if we describe several centuries as feudal, then feudalism will appear to us as a natural and even a necessary stage in our history. . . . If we use the term in this wide sense then feudalism means civilisation, the separation of employments, the division of labour, the possibility of national defence, the possibility of art, science, literature and learned leisure ; the cathedral, the scriptorium, the library, are as truly the work of feudalism as is the baronial castle. When, therefore, we speak of forces which

make for the subjection of the peasantry to seignorial justice and which substitute the manor with its villeins for the free village, we shall—so at least it seems to us—be speaking not of abnormal forces, not of retrogression, not of disease, but in the main of normal and healthy growth. Far from us indeed is the cheerful optimism which refuses to see that the process of civilisation is often a cruel process : but the England of the eleventh century is nearer to the England of the nineteenth, than is the England of the seventh—nearer by just 400 years.”¹

¹ Maitland, *Domesday Book and Beyond*, p. 223.

CHAPTER VI

THE STRUGGLE FOR CONSTITUTIONAL GOVERNMENT

IN the struggle of the fourteenth century for constitutional government as against royal authority and prerogative, and in the successful effort to develop the principles embodied in and the advantages gained by the Great Charter in the early part of the previous century, Stubbs points out that it was the knights of the shires who bore the burden of the fight and were the effective champions of popular rights.¹

In the Middle Ages the theory was that the king should "live on his own"—that is to say, that the revenues of his estates and the feudal incidents thereof, together with the hereditary revenues of the crown and the receipts accruing from the power to grant privileges, charters, monopolies, etc., should provide him with sufficient revenue for the ordinary purposes of state—and that further taxes for special expenditure should not be levied without the consent of the representatives of the people.

The principle that the king should "live on his own" was a double-edged one. If his income was sufficient for him to rule without special taxation, except in case of war, he was independent of control and, if a strong man, might be a despot. If in order to avoid control he curtailed his expenditure and thereby limited his power, his superiority to and his authority over the wealthiest and most powerful of his barons might disappear and he would become, as many continental sovereigns did under the feudal system, especially in its decay, merely the nominal first and lord among equals, the result of which would be to establish the rule of a territorial oligarchy.

Another result of requiring the king to live on his own, and of pressing control and opposition to the point of resistance on the

¹ Vol. ii. p. 513

part of the sovereign was that the king was likely to obtain funds or to secure partisans and friends by alienating portions of the royal demesne by making grants to them. In the course of the long struggle for constitutional government based on financial control the estates of the crown were largely alienated in this way and for this reason. The impoverishment of the crown was really the depletion of the sources of public revenue and inevitably, in the long run, necessitated further taxation of the people.

The Struggle for Parliamentary Control

The object of the wiser heads during the long constitutional struggle and development, therefore, was not to impoverish the king nor to unduly restrict proper royal and national expenditure; but to develop popular freedom, to prevent the waste of national resources, and to secure the proper adjustment and limitation of taxation by extending the control and power of Parliament. In order to do this it was necessary, not so much that the king should "live on his own," as that he should owe his income more and more to parliamentary grants. Parliament accordingly from time to time curtailed the customary and hereditary revenues of the crown, and made specific grants from public money to supplement them.

The extent to which the king could require military service for wars in connection with his French kingdom was doubtful. The service was also limited in duration, 40 days in the year, too short a term to be of any real value for warlike operations on anything like an extended scale, especially abroad, and as in those times the army was slowly gathered and disorganised and untrained. An enlisted army, paid by the king and properly drilled, was permanent and much more effective and readily available.

The commutation of service for payment suited both the king and his subjects. But it had far-reaching results. It soon united the Normans and the English in the common bond of a common policy based on common interests. While it strengthened the king's military power it weakened his civil power. It increased his power to engage in foreign expeditions, but it did not increase the willingness of his people to pay for them. It united all classes of them in a desire to curtail the power of the king to make levies on them, and within 50 years after the adoption of commutation and the institution of payment of scutage and tallage, the whole nation—churchmen, nobles, burghers, and peasants—united against the king and his mercenaries and forced the Great Charter from him.

The struggle for control of finance which characterised the thirteenth and fourteenth centuries and was the foundation of parliamentary representative government, was overshadowed and placed in abeyance by the Wars of the Roses and the weakness resulting from the feuds of the nobles, followed by the strong rule of the Tudor monarchs; but the precedents and principles established provided the basis on which the parliamentary party successfully opposed the excesses of prerogative of the weaker Stuart kings in the seventeenth century, and placed the control of the purse by the House of Commons on a firm footing.¹

The monarchs desired to have revenue free from the control of Parliament. Parliament and the people desired to protect the country against excessive and oppressive levies, and also to secure and maintain that control over the policy of the Government which the power to grant or refuse supplies gives.

The Outcome of the Struggle with the Stuarts

After the experience with the Tudor and Stuart monarchs the undesirability of leaving the king with a large revenue which was outside the purview of Parliament, and tempted arbitrary rulers to strain their powers in order to avoid calling Parliament together at all, had become very evident. The next great step, therefore, was taken when Charles II. returned after the Commonwealth. The principle was then adopted of voting the king at the commencement of each reign a fixed revenue from specified sources which were estimated to produce sufficient to defray the expenditure of the Government in times of peace. This was followed in the time of William III. by the appropriation of the revenue voted to be used for defraying specified expenditure.

The grants of Crown lands made by Charles II., James II., and William III., led to popular agitation from time to time for a reversal of these grants and a resumption of the lands, with the result that on the accession of Anne in 1702 an Act was passed which secured the grantees of Crown lands in their possession of them by recognising what had been done; but prohibited any future alienation, and provided that any grant for more than 31 years or three lives should be void.

Step by step afterwards, the expenditure which the king required to meet out of his revenues was reduced and the amounts voted at the commencement of each reign for the Civil List were

¹ Rogers, article "Finance," *Ency. Brit.*

curtailed, until nothing was left to be provided for in that way but the expenditure incidental to the maintenance of the king and the royal family. At the same time the various revenues which had accrued to the king from his estates, his royal prerogatives, were, one by one, transferred to the State, until now only those arising from the Duchies of Cornwall and Lancaster go direct to the royal family.

Final Abolition of the Feudal Incidents

After the disappearance of scutage and tallage about 1320 practically all that remained to the king of the old revenue from the incidents of the feudal tenure were the fees and fines charged on reliefs, wardships, alienation, and other incidents, and the grievous and detested prerogatives of purveyance and pre-emption. In the time of James I. an effort was made to get rid of these feudal dues and incidents—the scandals and abuses of which had become an intolerable grievance—by granting the king a permanent revenue from taxes in their place, but it was not carried through. The result was that in the years 1629–40, when Charles I. was governing without a Parliament and had to resort to every possible device to raise money, his officers strained to the utmost and revived as far as possible anything that was left of the possibility of revenue from wardship and the incidents of the feudal tenures. They did not amount to much but they were very irritating. Benevolences (forced gifts and loans) monopolies, and traffic in honours were all made the most of.

Under the Commonwealth the Long Parliament by a resolution of both Houses in 1645 abolished the Court of Wards and Liveries, and converted all tenures in chivalry into free and common socage. In 1656 by an Act of the Commonwealth these resolutions were confirmed by legislative enactment. The Commonwealth also introduced a new excise and customs tariff, which included many new taxes, among which were duties on beer, cider, and spirits, both home and imported. At the Restoration in 1660 Charles II. desired to ignore this legislation as illegal and of no effect. At that time the financial position was that during the Commonwealth the revenue of the State had been raised from subsidies—which were really an income tax and a tax on property, real and personal—and from customs and excise duties.

Personal military service on the knights' fee, which had only existed for about a century, had been abolished 500 years (1159).

The payment of scutage, which had been substituted for it, had ceased more than 300 years (1322). Tallage, which had been the corresponding levy on the non-military tenants in towns and counties, had been abandoned since 1332. "During the Commonwealth the vexatious emoluments derived from the military tenures had been suspended, and at the Restoration the feeling was unanimous in favour of abolishing those intolerable Feudal burthens which had so long survived their *raison d'être*." ¹

By 12 Charles II. c. 24 all the feudal incidents and all fines for alienation, tenure by homage, etc., were abolished. The rights of purveyance and pre-emption were also permanently abolished in response to the demands of the yeomanry and peasantry.² "All sorts of tenures held of the King or *others* were turned into *free and common socage* (freehold) save only tenures in frankalmoign, copyholds and the honorary services of grand serjeanty."³ As Vinogradoff puts it, "Commutation, the enfranchisement of copyholds, and the abolition of military tenures in the reign of Charles II., led to a gradual absorption of socage in the general class of freehold tenures."

A Great Boon to the Nation

The immediate and direct benefits of this Act were great boons to the nation at large. Indirectly the nation gained by the simplification of tenure and especially by the curtailment of the vexatious prerogatives of the Crown, which had long been a terror and an inspirer of awe. Most of the feudal incidents of fines and personal service levied on and required from the smaller tenants and peasants under their tenures from their landlords and feudal superiors had been abolished and commuted for ordinary tenancies some 250 years earlier. The system had been dead for centuries, and only the minor but by no means the least irritating incidents remained. The greater part of the latter had long fallen into abeyance, and after the complete freedom from them which had been enjoyed during the Commonwealth, and the spirit which had been manifested with regard to arbitrary fines and levies, it was clearly impossible to revive these antiquated and unpopular sources of royal revenue.

"Though the rights of the Crown over lands held, as the bulk of English estates were held, in military tenure, had ceased to be of any great pecuniary value, they were," says Green, "indirectly a source of

¹ Taswell-Langmead's *History of English Law*, p. 639.

² Article "Knighthood," *Ency. Brit.*, p. 115.

³ Taswell-Langmead's *History of English Law*. p. 640.

considerable power. The rights of wardship and of marriage above all enabled the sovereign to exercise a galling pressure on every landed proprietor in his social and domestic concerns. Under Elizabeth the right of wardship had been used to secure the education of all Catholic minors in the Protestant faith; and under James and his successor the charge of minors had been granted to Court favourites or sold in open market to the highest bidder. But the real value of these rights to the Crown lay in the political pressure which it was able to exert through them on the country gentry. A Squire was naturally eager to buy the goodwill of a Sovereign who might soon be the guardian of his daughter and the administrator of his estate. But the same motives which made the Crown cling to this prerogative made the Parliament anxious to do away with it.”¹

Referring to the abolition of feudal incidents Macaulay says: “In the course of ages whatever was useful in the institution had disappeared, and nothing was left but ceremonies and grievances.” The statute of Charles II. abolished the very same class of abuses, the sweeping away of which was promised in the great charter of Henry I., which was the forerunner of Magna Charta.

Dowell's View

Dowell says: “The reasons for the existence of the feudal incidents had long ceased to be; and indeed the whole feudal system had long been practically obsolete. The strict enforcement of the incidents under Elizabeth had been the cause of serious complaints. So unpopular had they been found under the administration of James I. that the difficulty of finding taxes in substitution for the feudal revenue had alone prevented the execution of Salisbury's plan for its total abolition in 1610. . . . The Court of Wards and Liveries, in which this revenue was enforced, did not long survive the commencement of the civil war. It ceased to sit from February 24, 1645; and, eventually, wardship, livery, primer-seizin, ouster-lmain—all the feudal incidents, and all tenures by homage, and all fines, licences, seizins, and pardons for alienation had been abolished, and all tenures *in capite* and by Knights' service of the King or any other person and all tenures in socage in chief, had been turned into free and common socage, that is, ordinary (freehold) tenure.

“In the same manner, purveyance and pre-emption, royal prerogatives so unpopular that a volume might be filled with excerpts from county histories of complaints regarding these

¹ *Short History*, p. 619.

‘insupportable grievances to the people,’ had as such also been abolished by the Parliament. All the King’s Officers called purveyors, victuallers, buyers, takers or caterers ; his commissioners by warrant and commission, who ‘at will and pleasure had seized and taken the carts, waggons, carriages, and horses of the people for the removal of the King’s household and for other purposes,’ had ceased to be. And the people were secured against all ‘seizures and takings of their hay, straw, oats, corn, cattle, victual, flesh, fish, food, timber and other chattels for provision of the King’s household, at a price fixed at the pleasure of the King’s officer,’ or, as frequently happened, without any payment in return.

“These unpopular prerogatives it was clearly impossible to revive, while it was acknowledged that the courts of wards and liveries and tenures by Knights’ service and the consequents upon the same had been found by experience more burdensome, grievous and prejudicial to the Kingdom than they had been beneficial to the King, and that it was impolitic, if not impossible, to revive them.”¹

Intolerable Abuses felt by Rich and Poor alike

The practice was much abused by the king’s courtiers and servants and the right was even claimed by the constables of the king’s castles.

The prerogatives of purveyance included, besides the right of preemption of victuals, the compulsory use of horses and carts and even the enforcement of personal labour. In the midst of ploughing or harvest the husbandman was liable to be called on to work and to lend his horses for the service of the court, or of any servant of the King who had sufficient personal influence to enable him to use the King’s name. Nor did the abuse end here ; not only individuals, but whole counties, were harassed by the same means : on one occasion the sheriff is ordered to furnish supplies, beef, pork, corn for the coronation festival or for the meeting of Parliament : on another he is directed to levy a supply of corn to victual the army.²

Frequent ordinances were issued against it and statutes were passed forbidding the extortion, but :

No legislation however seems to have been strong enough to check it ; it fills the petitions addressed to the parliament ; not only the King but his sons and servants everywhere claim the right ; it is the frequent theme of the chroniclers ; and it is the subject of ten statutes in the reign of Edward III., by the last of which, passed in 1362, the King

¹ *History of Taxation*, vol. ii. p. 20.

² Stubbs, vol. ii. p. 589.

declares that of his own will he abolishes both the name and the practice itself ; only for the personal wants of the King and Queen is purveyance in future to be suffered, and the hateful name of purveyors is changed for that of buyers. It is probable that this statute really effected a reform ; legislation, however, though less frequently required, was occasionally called for ; in the times of civil war purveyance was revived as a terrible instance of oppression, and was not finally abolished until Charles II. resigned it along with the other antiquated rights of the crown.

Wherever the King or the court went there went a crowd of purveyors, taking the provisions of the husbandman, or demanding his services and paying either at nominal prices or not at all. Every old woman trembled for her poultry, the archbishop in his palace trembled for his household and stud until the King had gone by.¹

Archbishop Islip, writing on these prerogatives in Edward III.'s time, speaks of " a King whose people fly from his approach." ² Bacon, speaking in James I.'s first Parliament, said the purveyors had become " taxers " instead of " takers." They extorted from the people annual fines of money, sometimes in gross and sometimes in the nature of stipends, in lieu of their oppressive demands. If they were refused they defaced and despoiled mansions and houses and destroyed ornamental timber or favourite shrubs. They would seize the poor man's hay and poultry, and mulct him in poundage over its payment, which was neither assessed nor attested according to law. Though produce on the highways was exempted and the hours of purveyance was limited to sunlight, they ignored those regulations of the statute book, and no one knew when or where he might not be visited with their unwelcome presence, or, since they refused to exhibit their authority, by whom he was despoiled.³

When the feudal incidents were abolished by 12 Charles II. c. 24, " the whole landed interest rejoiced, not only its gentry but its inferior classes also. . . . The labouring classes romped on the village green, toasted the King at its tavern, and omitted to grumble at the increased price of their tipples in the thought that the royal purveyors would trouble them no more." ⁴

To compensate the king's revenue for his surrender of all his rights and privileges under these feudal tenures a set of excise and customs duties on beer, spirits and other liquors of half the amount charged on these beverages under the Commonwealth was granted to the king, his heirs and successors. The other half of these duties,

¹ Stubbs, vol. ii. p. 403.

² *Ibid.* vol. ii. p. 375.

³ Bacon, *Works*, vol. iv. pp. 305-6.

⁴ Garnier's *History of the English Landed Interest*, p. 351.

bringing them up to the amount levied under the Commonwealth, was voted as part of the ordinary revenue. It is quite clear from the writings of those who discussed this question in the latter half of the seventeenth century that the general property tax—which has become known as the land tax—was intended to be a general tax according to ability. It failed and became a land tax only. Excise was resorted to because it was believed to be a better way of obtaining the result originally intended.

CHAPTER VII

THE SO-CALLED "LAND TAXES" OF 1692, 1697 AND 1798

As has already been stated, in 1663 the old Tudor subsidy was levied for the last time. Dowell says, "It was now acknowledged that the subsidy was effete as a method of taxation." The Commonwealth form of monthly assessments was continued for nearly 30 years longer, but as they were levied at the old proportion of charge fixed long before, and "moveable property had slipped out of the assessment,"¹ it was ultimately abandoned and Parliament returned to a pound rate in 1692. The pound rate of 1692 granted to William III. was a tax of 4s. in the pound levied on the annual rent or value of all real estate; on the salary of all public offices; and on the assumed income from personal property, goods and chattels calculated at 6 per cent on the capital value of the property. As had been the case so frequently before with taxes of this kind, loose assessments and fraudulent returns caused a steady decline in the produce of the tax and the old method of fixing the total amount to be raised and apportioning it to the various towns and counties was reverted to in 1697. Within the towns and counties the assessment was divided out between the various parishes or districts according to the assessment of 1692.

What the Tax really was—FIRST on Personal Property and Income, THEN on Real Estate

It is interesting and important to note that this tax of 1697 was *first* a tax on goods, merchandise and personal property, and income from offices and employments. *The residue of the sum* to be raised was obtained by a pound rate on the rent or annual value of real estate.² Dowell says:

In the assessment of the various tax-payers, it happened that as

¹ Dowell, vol. iii. p. 92.

² *Ibid.* vol. iii. pp. 95 and 96.

the tradesmen and others assessed in respect of their personalty died off, or departed from the particular district, the assessors charged their quota upon the land, adding it to the previous charge upon the land-owners; so that the tax, which was intended to rest in the first instance on goods and offices, the residue only being charged on the land—intended for a general tax on property, gradually became, in effect, a tax on land.¹

This was the more unfair because personal property and the wealth of the towns were increasing more rapidly. Dowell again emphasises the point thus :

This property tax of William III. originally intended to bear in the first instance on personal property and offices, subsequently, *when personal property again slipped out of assessment*, was described as “an aid by a land tax,” and in fiscal expression “The annual Land Tax !”²

This so-called “Land Tax” continued to be levied until 1798 at 2s., 3s. and 4s. in the pound as circumstances required. In that year it was recast by Pitt. It was separated into three taxes. That portion which had become a land tax was made a fixed perpetual charge on the various districts specified in the act. Provision was made to enable persons to redeem the tax if they wished to do so. The amount yielded by the tax at that time was about £2,400,000 a year. Since then much of it has been redeemed, and the net yield in 1912–13 was £687,173.

The Fixed Assessment

As we have already seen, the levying of this tax on a fixed assessment, which had not been and was not afterwards revised, was quite in accord with custom and precedent—“this ancient and continuous precedent,” as Thorold Rogers describes it. It was not, as it is so commonly represented to have been, a device of the land-owners of the time to escape their fair share of public burdens. As a matter of fact, so far as there was evasion and shifting of burden it was done by the owners of property other than land and the recipients of incomes other than those derived from real estate.

The essence of contracts for the occupation of land, if these ancient tenures could be called contracts, was that the liabilities of the tenant should be fixed and unchangeable. This idea of a fixed rent in an estate of inheritance pervaded all relations of landlord and vassal. It affected the subsidies granted to the Crown, the county valuations of which appear to have been unchanged from the days of the Plantagenets to

¹ Vol. ii. p. 53.

² Vol. iii. p. 97.

the days of the Stuarts. So with the fee farm rents paid by the freeholders, the labour and subsequently the commuted rents paid by the copyholders. The principle that a tax should be unchanged was adopted in William III. land tax, an assessment which has never been revised after the lapse of nearly two centuries.¹

Personal Property slipped out again

When Pitt recast the "land tax" in 1798 personal property had almost entirely slipped out of assessment, and only about £150,000 was in that year obtained from the tax on personal property and offices. The portion then derived from personal property at that time was fixed and so to speak stereotyped at that figure, as the land tax was, by ascertaining the amount which had been charged in each district upon "estates in ready money, debts, goods, wares, merchandise or personal estates," and then charging it upon the district to be collected at an equal rate in the pound upon all who possessed personal property in the district. This tax continued but steadily diminished in yield until 1833, when it was repealed.²

That part of the old "land tax" which had been levied on offices and employments was also ascertained and levied annually. In 1825 it was limited to offices and pensions which were charged under the Act of 1798. Although it was made perpetual in 1836 its yield diminished until it only produced £822 in 1868. It was repealed in 1876.³

Well may Dr. Cannan, after summarising the history of the Land Tax, say :

If the provisions of these annual acts had been faithfully carried out, it is plain that in many places land would either at once or very soon have been exempted from the "land tax," since 4s. in the pound on incomes from other sources would have been sufficient to raise the specific sums demanded. What actually happened, however, was that the 4s. in the pound was not levied from personalty, and almost the whole burden was placed upon landowners. In 1797 this practice was legalised and perpetuated.⁴

At that time only £150,000 was levied from property other than land ; and in 1833, when all taxation on personalty was abolished by statute, the amount was only £5214.

¹ Professor Rogers, *The Economic Interpretation of History*, p. 15.

² Dowell, vol. iii. p. 101.

³ *Ibid.* vol. iii. p. 102.

⁴ *History of Local Rates*, p. 116.

View of the Inland Revenue Authorities

“Nothing can be more certain,” says the Report of the Commissioners of Inland Revenue, 1870,¹ “though but little known, that the so-called land tax was in fact a property and income tax, and, moreover, that personal estate was quite as much the object of the charge as land, if not more so. The first Act, that of 1692, shows this very clearly.”

The principal Acts after 1692 were those of 1697 and 1797. Concerning them the Report says: “Now it is a remarkable circumstance that these acts of 1697 and 1797 appear to mark more strongly than before the taxation of personal estate as the primary object of the law.” After remarking that for the year 1823 “we are presented with the ludicrous result of a tax of one per cent on the capital value of the personalty of Great Britain,” the Report continues: “It seems almost incredible that year after year an Act should have been passed containing the most minute directions for the assessment of personal estate, that year after year assessors should have been sworn to carry those directions into effect, and yet that nothing which could be called an assessment should have been made. If indeed there had been no return at all under this head it would have been less startling than that there should be such a return as that for 1823.”

The Truth of the Matter

“The vague popular idea that the land of England belongs to the people of England, in the sense that the nation has a right to the whole or part of the rental, and that a special tax on land-values is only the assertion of this just claim, is in the light of history an absurdity.”²

“Land taxes are as old as the cultivation of land. But the point is that as soon as personal property became of sufficient importance to attract the attention of the tax-gatherer, all these land taxes were merged in a general system of taxation which applied equally to movables.”³

The income tax is really the successor to the old so-called land tax, which was imposed as and intended to be a property and income tax as our income tax now is. When in the time of William III. a new assessment of the old tax was made it was not even called

¹ Vol. i.² Professor Nicholson, *Rates and Taxes*, p. 49.³ P. 50.

a land tax. The Act of 1692 which imposed it described it as "an aid of 4s. in the £ for carrying on a vigorous war against France."

When Pitt took the matter in hand a century later he made another fresh start. He stuck to and stereotyped the then existing 4s. in the £ payable on land on the old valuation, and then he instituted the income tax which was levied on all incomes above £60 a year, from all sources, land included, so that land not only paid the old 4s. tax, but it paid the new income tax in addition. That income tax continued until the close of the great French War in 1815, when it was repealed, only to be reimposed by Peel in 1842.

A Complete Misconception

We are now in a position to understand how entirely inaccurate is the popular view of the history of the taxation of land, and to appreciate the extent to which the oft quoted statement of Richard Cobden was based on a complete misconception of the facts. Speaking in the House of Commons on Dec. 17, 1845, Cobden said :

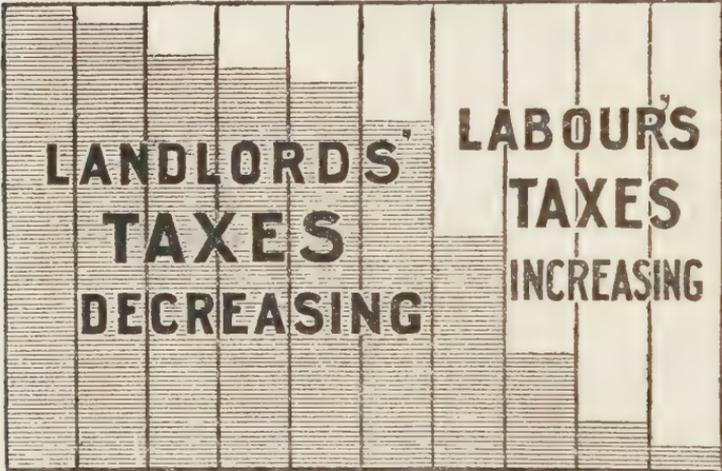
For a period of 150 years after the Conquest the whole of the revenue of the country was derived from the land. During the next 150 years it yielded nineteen-twentieths of the revenue—for the next century down to the reign of Richard III. it was nine-tenths. During the next seventy years to the time of Mary it fell to about three-fourths. From this time to the end of the Commonwealth land appeared to have yielded one-half the revenue. Down to the reign of Anne it was one-fourth. In the reign of George III. it was one-sixth. For the first thirty years of his reign the land yielded one-seventh of the revenue. From 1793 to 1816 (during the period of the Land Tax) land contributed one-ninth. From which time to the present (1845) one twenty-fifth only of the revenue had been derived directly from land. Thus the land, which anciently paid the whole of taxation, paid now only a fraction, or one twenty-fifth, notwithstanding the immense increase that had taken place in the value of the rentals.

The United Committee for the Taxation of Land Values circulates the same misrepresentation in a leaflet of which the following is a copy :

THE LANDLORDS THREW OFF THEIR TAXES

AS FOLLOWS:—

1216 1366 1483 1553 1653 1714 1760 1793 1815 1845
0 Per Cent 4 Per Cent 11 Per Cent 14 Per Cent 17 Per Cent 25 Per Cent 50 Per Cent 75 Per Cent 90 Per Cent 95 Per Cent



The above diagram shows that up to the year 1216 the landlords shifted none of their just burdens. But, commencing in the year 1216, they shifted them off their land on to the labourers as the diagram shows. The clear columns show the increasing share of the tax burdens unfairly lifted from their own backs to those of others. The shaded columns show the lessening proportions at those periods still borne by the landlords. As rentals grew taxes on rentals were legislated away, the landlords being the lawmakers.

This process must be reversed. Taxes and rates must be removed from labour and from industry until the rent of land again becomes the direct source of all public revenues. This is what is meant by the Taxation of Land Values and the Un-Taxation of Industry.

As a matter of fact it is not correct to say that the whole of the revenue of the country was derived from land during the early part of the period referred to; and in so far as it was very largely derived from the land it was so because almost everybody was engaged upon the land, and it was the chief source of income and livelihood, and there was little or nothing else that could be taxed. The aim and object was not to assess and tax owners and occupiers of land as

such, and to exempt other people, but to assess and tax everybody according to his possessions and his ability to pay. In those early times the simplest way of doing this was to assess them according to the amount of land they occupied, and that was what was done. As the position of the country improved and other possessions accumulated, and especially as towns grew up and trade developed, the value of the land which a man owned or occupied became less and less an accurate standard of his wealth and ability to pay. Consequently from a very early time, commencing in 1181, personal property—movables, as it was called—was also taxed. What the decrease in the proportion of the total revenue derived from land means is not that land-owners "threw off their taxes," but that land was becoming a smaller proportion of the total wealth of the nation, as other kinds of wealth developed and accumulated. So far from it being true that the landlords "unfairly lifted an increasing share of the tax burdens from their own backs to those of others," the history of taxation for several centuries is a record of the continual and successful effort which was made by the general taxpayers to evade their share of the tax burdens by lifting them from their own backs to those of the landholders. Again and again, when the taxes were levied on all property and income including stock-in-trade and salaries, the result was that personal property gradually slipped out of the assessment until the tax practically fell entirely, or almost entirely, on land and buildings. Well might Thorold Rogers say that if the historian would examine the records he would sweep away many ancient delusions as to persons and events which seem to be permanently embedded in the popular histories.

NOTES

Mr. Chiozza Money, M.P., has very interestingly pointed out, that not only was the so-called Land Tax of 1692 really an income tax, but that the income tax introduced by Pitt in 1799, and revived by Peel in 1842, and continued to the present day, was and is practically a revival of the old 1692 tax in an effective form. Mr. Money says :

"Pitt did not invent a new tax called the income tax. In 1799 the income tax was already hoary with age in this country. Pitt found the income tax of 1692 still absurdly levied upon imperfect assessments and bringing in very little revenue. What he actually did was to reform the income tax and give it a new name. He began in 1798 by commuting the old 'Land tax,' as we have seen. Having cleared it out of the way, and made it a fixed charge, he re-enacted an income

tax with a better system of assessment. In doing so, however, he closely adhered to the old schedules.

“Section 2 of the ‘Land Tax’ became Schedule D of the new property and income tax. Section 3 of the old Act became what we now call Schedule E. Section 4 of the old Act became what we now call Schedule A.

“So far from land-owners escaping by Pitt’s reform, they began to make a larger contribution to the national exchequer. The old absurd charge remained, and a new one, better assessed, was added to it. Thus we see that while the old ‘Land Tax’ was a property and income tax, the new income tax was also a land tax, as it now remains.”

It is interesting to note here also the practical experience of Walpole who, speaking nearly two centuries ago, said that it was safer to tax real than personal estate, because “landed gentlemen are like the flocks upon their plains, who suffer themselves to be shorn without resistance ; whereas the trading part of the nation resemble the boar, who will not suffer a bristle to be pluckt from his back without making the whole parish to echo with his complaints.”¹

¹ Sinclair, *History of the Public Revenue*, vol. iii., App. p. 79.

PART IV

WHO REALLY OWNS THE LAND ?

AND

SOME CONSIDERATIONS OF HONESTY AND HONOUR

“Statements which arise unbidden to the lips of everyone always contain a foundation of truth, but very often we proceed to build upon this foundation a superstructure composed almost entirely of fiction.”—THE SPECTATOR.

“First recognise what is true ; we shall then discern what is false, and properly never till then.”—THOMAS CARLYLE.

“To examine and reject a fallacious hypothesis is often a means of arriving at the truth.”—LEACOCK.

“In the long run that which is unjust can never be expedient.”—ARISTOTLE.

“In the interests of a people rising so rapidly into the possession of wealth and capital, it is expedient rather to confirm the traditions of property than to overthrow them.”—PROFESSOR W. SMART.

“To take the land without compensation would be robbery : to take it with compensation would be folly.”—W. E. GLADSTONE.

“History records many things which ought to make us hate evil actions ; but neither history nor morals, nor policy can teach us to punish innocent men on that account.”—EDMUND BURKE.

CHAPTER I

WHO REALLY OWNS THE LAND ?

WE are sometimes told that in strict law land in this country is not the subject of absolute property, that no man is in law the absolute owner of land. He only holds an estate in it, and that estate he holds under the Crown. That is the legal fiction no doubt, but it is nothing more than a legal fiction, embodied though it be in deeds and law. For all practical purposes there is ownership, and when the law says that there is not absolute ownership the term is used to mean something altogether different from what ordinary people understand by ordinary language.

The Crown does not own the rents, nor is there anything in the nature of a rent charge reserved to it. The Crown neither exercises nor claims any of the attributes of ownership.

When on this very unstable and dubious foundation an attempt is made to build up a contention that the land belongs to the Crown, and that the Crown owns it as the representative of the community, and, therefore, the land belongs to the people, we have an argument which is full of fallacies and flaws.

In the first place, land does not belong to the Crown in any real sense. In the second place, when the Crown did as Conqueror seize and exercise the power to dispose of land in this country, it was not only an act of pillage based on force but it was a personal act. No rights of the community as such were recognised or thought of. The exercise of the power claimed was always resented and often disputed, and in course of time the Crown was compelled to relinquish its claims and so-called rights. Those rights were relinquished not to the community, but to the individuals over and upon whom they had been arbitrarily and despotically exercised, only so long as they could be maintained by force.

What the Conqueror did

When William the Conqueror claimed and exercised the power, and therefore the right, to dispose of the land of England amongst his followers and those of the native nobles and land-owners who accepted his sovereignty, he did not do it at the request of, on behalf of, or in the interest of, the community. He thought nothing of or about them. He did it as a personal act on his own behalf and in his own interest. It was essentially arbitrary and despotic in character and fact. Like all other despots and chiefs of bands of marauders, brigands, and pirates, he could only maintain his power and position by, to some extent, conciliating the more powerful of his followers, and sharing some of the plunder with them. Just before the battle of Hastings, William, addressing his troops, said, "Fight bravely and put all to death : if we win we shall all be rich : what I get, you shall get : If I conquer, you will conquer : if I obtain the land you will obtain it." He did this on condition that they in turn served and supported him and maintained his sovereignty and supremacy. All this was personal. The King was looking after his own interest and that alone : he was only concerned with the interests of others in so far as they were subservient to and necessary to maintain his own. With his immediate and more powerful followers the position was the same. Nor was it different with those of the native men of power and position, who gave the Conqueror their allegiance. None of them cared or thought about the community as such, apart from themselves. Such a thing as the land belonging to the community—to the people as a whole—was never dreamed of. If it had been suggested it would have been laughed at. The new King claimed that it belonged to him, and that he could and would do what he liked with it. He based his right on his position as conqueror and on his power to maintain it : in a word, on the strength of his own right arm, so to speak.

For a time the immediate followers of the Conqueror submitted to and upheld these conditions because their own position as conquering usurpers of other people's property depended on their so doing. But as weaker kings succeeded the Conqueror, and as the position of the nobles as lords and owners became established by flux of time, they joined hands with the native nobles and land-owners, and made common cause to free themselves from the King's personal claims and the burdens which accompanied them. The

Crusades and the Wars with France gave them their opportunities and enabled them not only to rid themselves of many burdensome incidents of personal despotic sovereignty but also to secure for Parliament, as representing the community, that financial control which laid the foundations of English liberty and representative government.

The Kings and their Demesne

The king required more money than his demesne yielded. He required more military service than the conditions of feudal service supplied. The nobles and Parliament realised the power which these needs gave them, and they used it. They made grants of revenue, but they did it on terms, and the terms always involved a diminution of the king's personal power and a surrender of some or other of the onerous conditions which the Conqueror had imposed upon the people. So long as this was the position, kings were naturally unwilling to go to Parliament for renewed or new powers of taxation, if they could possibly avoid it, and when they did go they desired to have special friends and supporters there. This in turn led to the diminution of the royal demesne through the kings selling parts of it in order to raise money without going to Parliament and giving other parts to friends, favourites, and supporters in return for services rendered. Dowell tells us that

Originally the ancient demesne, consisting of lands that had belonged to Edward the Confessor and were considered to have belonged to the Heptarchic Kings, was regarded in the nature of national property. And on that ground Parliament, should the King, by grants of ancient demesne, impoverish himself to such an extent as to compel him to resort to a request for a subsidy, might nullify and cancel the immoderate grants. While the demesne not ancient, and all accretions to the King by escheat and forfeiture, were regarded as the property of the King, which he could alienate without any fear of the subsequent interference of Parliament.

Both kinds of demesne were largely alienated by Henry VIII. and his successors. Elizabeth sold portions freely in order to avoid applications to Parliament, and James I. and Charles I. reduced it still further until at the commencement of the Civil War the revenue from the demesne was only about £120,000. Under the Commonwealth what was left was sold. After the Restoration there was some resumption of the lands which had been parted with, but in 1663 the revenue from the demesne was only £100,000 a year.

One result of the gradual alienation of the demesne was that it

brought the kings more and more under the control of Parliament, and enabled it to increase its authority and power in proportion as the king, owing to the diminution in his ordinary personal sources of revenue, became more and more dependent on Parliament for supplies, to meet the cost of government and any wars in which he might be involved.

Norman Tenures were imposed by Force

The conditions which William the Conqueror imposed were imposed by force and as the result of conquest. As soon as possible they were restricted and ultimately practically abolished. They never belonged to the community. They were imposed by the king for his own personal advantage and in order to enable him to maintain and retain his personal position as sovereign and overlord. When the position of the kings was assured to them and the continuance of these conditions became unnecessary and indeed dangerous to the maintenance of the king's position, the burdensome yoke of despotic personal rule was gradually removed and constitutional government, under which the revenues of the state were raised and controlled by Parliament, was as gradually established.

The feudal tenures and the incidents appertaining thereto were burdens imposed by a conquering power. They were not the conditions of grants of land by or for the community to individuals. They were the conditions of grants by the king of lands which belonged to others and which he had seized by force, not for the community, but for himself and his followers. They were not services or payments due to the community and received by the king on behalf of the community. They were services and payments demanded and enforced by the king for himself, at the point of the sword, and when the successors of those on whom they were imposed succeeded in throwing them off one by one, century after century, it was not the community but the Crown that was deprived of the produce of burdens which had originally been imposed by force, and used against the community to enable the king to establish his authority over it. Incidentally in this process of re-adjusting the relative positions of the Crown, the land-owners, and the community as a whole, considerable burdens of taxation were placed on land-owners.

*They had less Validity than Subsequent Acts of Kings
and Parliaments*

The conditions imposed by William the Conqueror upon land-owners and their tenants and others under them were the arbitrary acts of a military despot. Greater authority and validity cannot be attached to the action imposing these conditions than to the actions of his successors and the Parliaments of the day by which those conditions were modified and eventually abandoned in favour of other arrangements which were deemed more equitable and satisfactory. There is no justification for ignoring and treating as null and void the one set of transactions, and attempting to insist on the others as sacred and inviolable. The decisions, the results of which it is desired to get rid of, were at any rate arrived at in a more constitutional manner than those which it is desired to maintain. They were not the personal arbitrary act of a military conqueror. They were the deliberate decisions of the Parliament of the time.

If one Part of the Contract were restored the Whole should be

When attempts are made to establish the right of the public to go back to the conditions instituted by William I., and to claim for them a sanctity and a permanence which is allowed to nothing else before or since, and when, on the strength of that, it is asked that land-owners should now be called upon to fulfill the conditions then imposed, and should therefore bear all the cost of the defence of the country, it must be remembered that at that time many similar and even more onerous conditions applied to other people, and that if the feudal system is to be restored the conditions under which its liabilities and duties were imposed, and on which they were based, should also be revived. When much is made of the grant or regrant of lands by William I., it must not be forgotten it is equally true that all freeholders in manors owed their land and rights both in law and in fact to grants or regrants from the lord, and that all other tenants held on a more or less onerous servile tenure, and that below them again in status was a large proportion of the population who were serfs attached to the soil by bonds which made them practically the property of the land-owners. It was on those conditions and on that basis that the feudal liabilities were imposed, and if we are to go back and restore the position in one respect we

should, in justice and equity, also have to restore the conditions and position on which it depended and was based.

A curious instance of the survival of the feudal power of lords of the manor to make levies upon their tenants reaches us from the early part of the seventeenth century, where, on the orders of the lord, the steward called the tenants together and informed them that, as he had bought an estate for more than £7000, they must help him to pay for it by each of them giving him three years' rent. They were told that if they did this no more gifts would be required during his lifetime, and, if they did not, he would refuse to renew their holdings as they fell in.¹

¹ *Chetham Society Miscellanies*, vol. iii.

CHAPTER II

SOME CONSIDERATIONS OF HONESTY AND HONOUR

THE contention of Henry George and his followers, and of most advocates of the nationalisation of land, is that the private ownership of land, or, at any rate, of its unimproved value, is wrong, and involves robbery of the public and ought to cease. The ways in which they would deal with and rectify this alleged wrong vary in detail, but in principle and practical effect they are very similar. They all aim at taking for the use of the community the whole, or a considerable portion of that part of the value, of the land of the country—apart from the value of the buildings and other improvements which are on it—which is now private property.

Confiscation by Taxation

Some would seize and appropriate the land : others would have the State buy out the present owners. Henry George's followers and many land taxers who have not adopted the policy of the single tax propaganda in its entirety would seize and appropriate the whole or a considerable part of the value of the land by taxing it. Henry George said :

I do not propose either to purchase or to confiscate private property in land. The first would be unjust : the second needless. Let the individuals who now hold it still retain, if they want to, possession of what they are pleased to call their land. . . . We may safely leave them the shell, if we take the kernel. It is not necessary to confiscate land : it is only necessary to confiscate rent. . . . We already take some rent in taxation. We have only to make some changes in our modes of taxation to take it all.¹

His view is that " though his titles have been acquiesced in generation after generation, to the landed estates of the Duke of Westminster the poorest child that is born in London to-day has as much right as his eldest son. . . . And it is robbed if the right is denied." ²

¹ *Progress and Poverty*, p. 288.

² *Ibid.* p. 240.

Writing of the land of Scotland and claiming that it belonged rightfully to the whole of the people of Scotland, he said, in a pamphlet *Land and the People* :

It therefore follows, from the very fact of their existence, that the right of each one of the Scottish people to an equal share in the land of Scotland is equal and inalienable. . . .

Why should the landlords be paid ? If the land of Scotland belongs of natural right to the Scottish people, what valid claim for payment can be set up by the landlords ? . . . The claim of the landlords to the land rests not on natural right but merely on municipal law—on municipal law which contravenes natural right. And, whenever the sovereign power changes municipal law so as to conform to natural right, what claim can they assert to compensation ? Some of them bought their lands, it is true ; but they got no better title than the seller had to give. . . . Created by force and maintained by force, they have not behind them the first shadow of right. That men, now dead, have had the power to give and grant Scottish lands is true ; but will any one contend they had the right ?

Repulsive but Dangerous

These views are still being widely circulated and energetically advocated. The publications in which they appear are the stock-in-trade of the United Committee for the Taxation of Land Values, and they are the basis of its propaganda and proposals. More or less openly avowed, they lie at the foundation of most of the proposals which are made for the special taxation of land-owners as such. It is desirable, therefore, that they should be examined with some care, in order that we may clear our minds with regard to them.

As these so-called principles are baldly stated by Henry George, they will be repulsive to, and will be repudiated by, most thoughtful, honest men, but that is no reason why they should not be refuted and exposed. That well-informed people know that they are absurd and iniquitous is not sufficient. Any fallacy and wrong, however ridiculous, is dangerous if the masses of the people are attracted by it. The danger is enormously increased if the proposal takes the form of conferring a financial advantage upon the multitude at the expense of others than themselves. Henry George was well aware of this when he cynically, but very truly, observed that “ even the most prejudiced can be relied on to listen with patience to an argument in favour of making some one else pay what they are now paying.”¹

¹ *The Irish Land Question*, p. 41.

We must also remember that these proposals are really a revival of old fallacies which have manifested great vitality. A single tax propaganda was prevalent in France in the eighteenth century. It was part of the policy of the Physiocrats. Sir Henry Maine very truly said that Rousseau's philosophy, upon which H. George's teaching is largely based, "still possesses singular fascination for the looser thinkers of every country"; that "it helped most powerfully to bring about the grosser disappointments of which the first French Revolution was fertile."¹

Of course it is easy, popular, and soothing to preach that some one else ought to pay what your hearers or readers are paying; that some one else is responsible for their difficulties and troubles; and that the way to improve the world is to reform and tax other people. It is, however, desirable that we should occasionally ask whether what is being said is true, and whether these proposals to transfer the property of others to ourselves are quite honest. Appeals to covetousness are always easy and always dangerous. They are especially so when they are interlarded with references to religion and justice. It is not surprising, therefore, that many "hailed with rapture the appearance of the teacher who clothed passion in the garb of philosophy; and preached the sweeping away of injustice by the perpetration of further injustice, as if it were nothing but the conversion of sound theory into practice." The truth is, as Professor Smart expressed it:

All the advantages adduced for the single tax are nothing more than bribes; and in order to expose the inherent dishonesty of the idea, it is necessary to expound the first principles of public morals.

Conditions of Ownership

At the outset of this part of our discussion it should be stated clearly that the recognition of the rights of private property in anything does not involve a recognition of the owner's right to do what he likes with it. His ownership is subject to such regulations, limitations, and conditions as the legislature deems necessary and just. He may own a horse, he may not treat it cruelly, he may not drive it on the footpath or on which side of the road he likes. He may own a pig, but he may not keep it where he likes. He may own a gun, but he may not fire it off when and where he likes.

This is especially true of private property in land. Even those who are most tenacious of the rights of landed property recognise

¹ *Ancient Law*, pp. 89-92,

that in important respects it is a different thing from other property. The permission of the appropriation of "original and indestructible natural forces," which are often spoken of as the inheritance of the whole species, and the continuance of that appropriation has its basis in expediency—the general good—as well as in justice; and the State has always considered itself entitled, in the interest of the common well-being, to attach to the ownership of land limitations and conditions more stringent and extensive than those which it attaches to other private possessions.

"Sustained by some of the greatest names—I will say, by every name of the first rank in Political Economy, from Turgot and Adam Smith to Mill—I hold," says Professor Cairnes in *Political Economy and Land*, "that the land of a country presents conditions which separate it economically from the great mass of the other objects of wealth—conditions which, if they do not absolutely, and under all circumstances, impose upon the State the obligation of controlling private enterprise in dealing with land, at least explain why this control is, in certain stages of social progress, indispensable, and why, in fact, it has been constantly put in force whenever public opinion or custom has not been strong enough to do without it."

"The right to use a piece of land," says Professor Marshall, "gives command over a certain space—a certain part of the earth's surface. The area of the earth is fixed; the geometric relations in which any particular part of it stands to other parts are fixed. No man has control over them. They are wholly unaffected by demand: they have no cost of production, there is no supply price at which they can be produced.

"The use of a certain area of the earth's surface is a primary condition of anything that man can do: it gives him room for his own actions, with the enjoyment of the heat and light, the air and the rain which nature assigns to that area, and it determines his distance from, and in a great measure his relations to other persons and other things.

"This property of land is the ultimate cause of the distinction which all writers on economics are compelled to make between land and other things."¹

Further, an historical justification of an institution is no justification for its continuance or revival when it is no longer socially beneficial. Consequently, the contention put forward in this chapter is not that the State is not entitled to interfere with and regulate the conditions under which land is held as private property, or that it is not entitled to take possession of that property if it is deemed expedient to do so, but that if it does interfere or take possession it must honourably recognise and equitably deal with

¹ *Principles of Economics*, p. 144.

those rights of private individuals which have not only been created, built up, and sanctioned by ages of custom, but have been regulated, defined, and established by legal enactments extending over many centuries.

A Grave Injustice

For a thousand years and more in this country land has been regarded as private property, and has passed from person to person by sale, gift, and bequest under the most careful and solemn sanctions, safeguards, and binding obligations which legislation, custom, and public opinion can give. Land has for centuries been regarded by the public and treated by the law as being as much private property as ordinary merchantable commodities. It has been bought and sold, bequeathed and exchanged in precisely the same way, except that the rights of ownership have been more stringently safeguarded. At one time a man owns land, at another he owns ships, at another he owns debentures or shares in a railway or in a coal-mine, or in some manufacturing concern, at another he owns quantities of iron, corn, cotton, wool, timber, cattle, or sheep. Some men own one kind of property, others own other kinds. Most men own a little of several kinds. The proportions they hold vary from time to time. One day they may own land, and the next day they may sell it, and on the following day buy railway stock or consols, or lend the money to some municipal authority. All has been regarded as private property, marketable and interchangeable at will.

Now it is proposed to pounce down upon the man who happens to own land at the moment, and penalise him by seizing a considerable portion of its value. The person upon whom the blow will fall, upon whom the loss will be inflicted, is to be selected, not by any process of justice, equity, or reason, but simply because he happens at that moment to be caught owning a particular kind of private property. He is to be selected on the basis of the old game of "hunting the slipper." If he has just bought land he is to be deprived of a portion of its value; while the man who sold it to him is to escape unscathed with the full value that was paid to him. Clearly, such an injustice would be an inexcusable outrage.

The Small Investor

Hundreds of thousands of investors are to be deprived of one-fifth, one-fourth, or one-third of the value of their property, in order that others, not one whit more deserving, may retain for their own use a larger proportion of their property which was already

disproportionately relieved from taxation. Amongst those to be exceptionally relieved would be the South African millionaires who live here, the great London financiers, and the millionaire manufacturers and investors in securities other than land.

It is a great mistake to imagine that the very rich people are the most interested in land and buildings. The small people of the country have a much larger proportion of their money invested in land and buildings than the extremely well-to-do have. During the twelve months ending April 5, 1912, the total amount of money left by persons who left less than £5000 each, was £71,556,747. Of that sum £29,928,969, or 41·8 per cent, was invested in agricultural land, houses and business premises, ground rents or mortgages. During the same time the amount left by persons who died worth £250,000 or more each, was £53,114,891, and of that £8,977,659, or only 16·8 per cent, was invested in land and buildings or in mortgages on them. That is to say, in proportion to the amount they possessed, people who were worth less than £5000 had two and a half times as much invested in land and buildings as those who possessed £250,000 or more had. For the year ending April 5, 1913, the figures were similar. The total amount left by persons who died worth less than £5000 each was £71,510,527. Of that £30,002,202 or 42 per cent was in land, buildings, and mortgages. The total amount left by persons who died worth £250,000 or more each was £53,420,344. Of that only £7,939,838 or 15 per cent was invested in land, buildings, and mortgages. Thus those smaller people had, in proportion to their means, nearly three times as much invested in land and buildings as the very wealthy people had.

When we also remember that Insurance Societies, Friendly Societies, Building Societies, Co-operative Societies, and other bodies in which working people and small tradesmen and middle class people are very closely interested, are large owners of land, houses, business premises, ground rents, and mortgages, we shall realise that any scheme of taxation or appropriation which would transfer a substantial portion of the value of this class of property from those who now own it to the State or the local community, would have far-reaching effects and inflict severe loss upon a most deserving section of the people, whose chief fault would be that, relying on the honour of the State and the sanctity of the law, they had invested the results of long years of thrift and prudence in a class of property which the State had taught them to regard as particularly safe and secure, and which, in not a few instances,

was one of a very limited selection of investments in which Parliament had compelled them to invest their funds.

The Responsibility and Attitude of Parliament

How seriously Parliament has always regarded its responsibility with reference to the investments to which it has limited trustees, and into which it has compelled holders of the savings of hundreds of thousands of small, and almost wholly inexperienced, and therefore largely helpless people, to invest their money, is illustrated by the conditions which, in accord with the Act of Parliament, the Treasury prescribed as those which Colonial Governments must comply with before their securities could be allowed to become trustee securities in this country. One of those conditions is :

The Colonial Government shall place on record a formal expression of their opinion, that any Colonial legislation which appears to the Imperial Government to alter any of the provisions affecting the stock to the injury of the stockholder, or to involve a departure from the original contract in regard to the stock, would properly be disallowed.

The Parliament which thus insists on the sacredness of the investments into which it compels trustees to put the money entrusted to them, and which thus guards against any possibility of the conditions of those investments and the contracts on which they are based being altered to the disadvantage of those whose money has been placed in them, is asked by many land taxers to violate its own precepts and principles, to ignore the conditions which it imposes upon others, and to itself injure and inflict loss upon those whom it is its special duty to protect, and whom it has placed in the position in which they are.

In this connection it is interesting to note that in 1894, the Final Report of a Joint Special Committee of the State of Massachusetts, U.S.A., which investigated Henry George's and other proposals,¹ said :

Even Henry George admitted, a few years ago (in an address at Boston, Feb. 22, 1889), that if his scheme were put into operation it would cause the savings banks and insurance companies to fail, and that in an agricultural community it might be difficult to raise the money thought to be needed for municipal wants. But as a people could only have what the plan would furnish, they must economise and bring their wants within their means. This means, among other things, poorer schools and libraries, and, therefore, a more limited education

¹ P. 38.

for the young, and a less tender care of the aged and helpless, who are cared for in our charitable institutions.

If private land-owning is wrong and indefensible, a robbery which ought to cease ; if the poorest child in London has as much right to the estates of the Duke of Westminster as the Duke's son has, this great moral principle will apply whatever the origin of the property, whatever the extent of the estate, whatever the size of the property owned. That is to say, the man who owns the ground on which the cottage in which he lives stands is an interloper and a wrong-doer just as is the large land-owner. The children who have an equal right with every one else to the Duke of Westminster's estates have just as much right to the small plots of land which small owners possess, and often have purchased out of their savings. The conditions under which the original ownership was obtained do not matter. This new gospel of justice and righteousness overrides all that. As George puts it : " How ownership of land was acquired in the past can have no bearing upon the question of how we should treat land now ! " ¹

A Caustic Exposure

Henry George and those who are anxious to appropriate a considerable portion of the income which owners of land derive from their property, in order that they may be relieved from the unpleasant necessity of paying rates and taxes out of their own pockets, always write and talk as though it were the rich, and only the rich, who were to be plundered. The French Physiocrats in the latter part of the eighteenth century had the same idea.

They advocated a single tax on land : but it was killed by the caustic sarcasm of Voltaire ² in his essay on " The Man of Forty Crowns." Voltaire described a French agricultural labourer who owned a small plot of land, and by incessant labour, under conditions of extreme poverty, contrived to secure from the soil produce worth 40 crowns. The tax gatherer, finding that this wretched peasant contrived to keep body and soul together on 20 crowns, assessed his land at the other 20 crowns, and took that amount from him. One day the peasant met an old acquaintance, who had been as poor as he, but had been left a fortune of 400,000 crowns a year in cash and securities. He lived in great style and drove a handsome coach and six horses. Said the peasant to his quondam friend, " Of course you pay half your income, 200,000

¹ *The Peer and the Prophet*, p. 9.

² *L'Homme à Quarante Ecus*.

crowns, to the State." His friend replied, "You are joking, I am not a landed proprietor like you. The tax collector would be a fool to assess me because everything I have comes ultimately from the land, and somebody has already paid the tax on that. To make me pay would be intolerable double taxation. Good-bye, my friend, you pay your single tax, enjoy in peace your clear income of 20 crowns; serve your country well, and come in now and then and have dinner with my lackey. Yes, yes, the single tax is a glorious thing."

Law Sacred when it suits them; Waste Paper when it does not

We have already remarked that the advocates of these proposals jump about from one inconsistent argument to another in the most contradictory and bewildering fashion. If there is, or they think there is or ever has been, anything in the law which appears to support their contention, they fasten on to it with the tenacity of limpets, and exalt its sanctity, its importance, and its irrevocability until it might be imagined that it had come down to us on the tables of the law from Sinai. But if the law be evoked to justify and uphold the private possession of land to-day, it matters not how long that law has existed, how far throughout the civilised world it has extended, and how many hundreds of thousands of transactions have been based upon it in our own country alone by a score of generations of all classes of our people. It is waved airily aside as a thing of no importance whatever, a mere aberration, or at best a temporary opinion which can easily be reversed to-morrow.

They cannot be allowed to escape from an untenable position by dropping down on both sides of the fence in turn in this fashion, as it suits the exigencies of the moment. Their account of the history of land-owning in this country is very largely an ignorant travesty of the facts, as has already been shown; but if it were accurate and relevant what would it mean and what would it involve? If the present possessors of land are to be turned out because it is alleged that their predecessors acquired it, mostly in the remote past, by force and fraud, conquest and confiscation, to whom should it now be given, and who amongst us would be entitled to remain here, or anywhere else, except on sufferance?

Who were the Original Occupiers?

The history of the world is a record of the conquest and the

subjugation of weaker races by stronger. The old Roman Empire was acquired by and built up on conquest, robbery, and slaughter. In its turn it fell into the hands of the barbarian-conquering hordes of Goths, Vandals, Huns, and Franks who overran it and seized its territory for themselves. We had in these islands in prehistoric times the pre-Aryan, the Long Barrow, and the Grenelle races, the Round Barrow people and the Goidel and Brython branches of the Celtic family, most, if not indeed all of whom, were invaders. Who and what the original inhabitants were we have no knowledge whatever. After these came other tribes of Celts, who in their turn were followed by the Romans, the Frisians, the Saxons, the Danes, and the Normans, each of whom pillaged and took possession of more or less of the lands of those who were already here before them. To complete the mingling and confusion, a stream of immigrant aliens of all nationalities has found its way to these shores for many centuries. We in turn have seized upon and taken possession of vast tracts of the earth's surface in different parts of the globe. If all this is to be revised, reversed, and gone back upon on the ground that it was cruel and unjust, and based on force and fraud, where are we to begin and where to end? Who and what are we that we are to be entitled to pose and prate?

Who is the Robbed and who the Robber?

As every one now living has had some 30,000,000 ancestors since the Norman Conquest, not to go any further back, it is certain that amongst them there must have been many who were quite as responsible for and quite as much involved in any wrong-doing there may have been in the past as the ancestors of those in whose hands land now is. As Herbert Spencer said, "That bitter feeling towards the landed which contemplation of the past generates in many of the landless is in a great measure misplaced. They are themselves to a considerable extent descendants of the sinners; whilst those they scowl at are to a considerable extent descendants of the sinned against." Who, indeed, amongst us can show any title and right to be here in these islands at all other than the title and right by which those whom it is sought to wholly or partially dispossess own their property? We are each and all descendants of thieving, murdering, marauding tribes of barbarian pirates and brigands, and if the truth must be told, we shall find it difficult to discover any people of any race or nation on the face of the earth who have not a similar history, and who are not where they are

and what they are, owing to similar proceedings on the part of their ancestors. For any of us to talk about going back into past centuries and, in the name of justice, taking anything from anybody now and appropriating it for our own use on the ground that it was originally obtained by force and fraud from some one else, is the purest cant and hypocrisy, and would be dishonesty and fraud equalling, if not surpassing, anything ever perpetrated by the greatest scoundrels of the past.

Very little of the land of England is now in the possession of the descendants of those who held it in the time of William the Conqueror. A large number of those who own little or no land today, and are amongst the poorest in our midst, are descended from those who seized and appropriated these lands, and from their descendants who sold or otherwise parted with them. Most of the land of this country is now held by persons who have either bought and paid for it or have received it by gift or bequest from persons, or the descendants or legal representatives of persons, who did buy and pay for it. For the descendants of those who sold to demand that those who bought (or their descendants) should be deprived of their purchase because the ancestors of those who sold, and now make the claim, acquired what they sold by force and fraud, is probably the most impudent demand that was ever made, and when that demand is professed to be based on religion, morality, and justice, we may well ask if we are asleep or awake.

Henry VIII. and the Lands of the Monasteries

It will not be irrelevant to point out here that the position with regard to the disposal of the lands of the monasteries which were dissolved and dispersed by Henry VIII. was not quite what it is popularly supposed it was. The general view is that Henry distributed these lands as gifts amongst his courtiers and the nobles who were his supporters. Henry was not the man to give away much. In some cases, no doubt, he bought political support and facilitated fidelity to the Reformation by making gifts to powerful and doubtful personages; but for the most part he sold the lands which he seized for what seem to have been fairly good prices. From Lingard's *History of England*¹ it appears that the procedure was that the plate and jewels were reserved for the king; the furniture and goods were sold. The church, cloisters, and monks' quarters were stripped of lead and anything that was saleable, and

¹ Vol. iii. p. 266.

then left to go to ruin. The lands were dealt with by sale, exchange, or gift. The buyers held of the Crown and bought subject to the payment of a reserved rent, equal to 10 per cent of the usual rent.

The *Political History of England*¹ gives particulars concerning 1593 grants of monastic lands. Of the 1593 grants, only 41 were gifts out and out, 28 were disposed of by combination of gifts and sale or exchange, 1186 were sold, 61 were exchanged, 89 were disposed of by combined sale and exchange, and in 188 cases the consideration is not stated. The amount received for those for which money was paid was £779,200. The value of land at that time was from 10 to 12 years' purchase. As the annual value of these 1593 grants is put down at approximately £90,000, it will be seen that, if allowance be made for those which were given away or exchanged, the amount received for those which were sold represents quite a fair price at the market value of the time, especially when we remember that the result of these confiscations by the king was to throw a very large amount of land upon the market, and thereby, inevitably, to send down the price that could be got for it.

The ancestor of the Duke of Devonshire, in 1540, paid £769 : 8 : 4 for lands which had belonged to the Abbey of St. Albans. He afterwards sold them and bought Chatsworth. In the same year the ancestor of the Duke of Bedford paid £1041 : 9 : 2 for lands which had belonged to the abbeys of St. Albans and Bury St. Edmunds. The largest purchaser was Sir R. Gresham, who in the same year, 1540, bought the domains of three Yorkshire monasteries for £11,137. To bring these figures to something like present values they should be multiplied by ten.

If at any time in the distant past—in the time of William I. or in the fourteenth century, or in the time of Henry VIII. or of Charles II.—some transaction took place which would not now be regarded as just and equitable, you cannot now, centuries afterwards, rectify an injustice committed in favour of land-owners by doing another injustice to the persons who happen to own land to-day, land which, for the most part, they or their predecessors legally and honourably purchased.

Suppose a man owns a freehold property upon which he creates a ground rent which he sells, retaining the leasehold interest on the ordinary conditions that he shall pay all rates and taxes. He invests the price of the ground rent in some other security, and continues to receive the net rent of the property less the ground

¹ Vol. v. pp. 497, 498.

rent. By what process of justice or reasoning can any one defend the proposal that, on the ground of some alleged inequitable alienation of land by rulers in the past, or on the ground of some theory of natural rights, or, indeed, on any ground, the person who sold this ground rent and pocketed the proceeds should now demand that the purchaser should pay the rates which the seller agreed to pay; and that the seller should thereby increase his own income and diminish the income of the man to whom he sold the ground rent at a specially high price because the income would not be diminished by such rates as he now desires to levy on it? Tens of thousands of such transactions have taken place.

What has evolved through the Centuries

Out of the rough and tumble of barbarous times and cruel conquest good evolved. No one who has studied history can doubt that the powerful, warlike tribes which overwhelmed the decaying and worn-out Roman Empire prepared the way for the far higher civilisation of modern Europe, and that the conquest of Britain by Celts, Saxons, Danes, and Normans in turn built up a greater nation here than otherwise would have been possible. To undo and revise that past is impossible. Were it possible it would be unjust and inexpedient. Such revision and reversal could not begin and end with one phase of the ownership of land. If we are to go back to pre-existing conditions, in one respect we ought to go back to the many other then existing conditions which were bound up with the conditions which it is now sought to restore. It is no more possible or desirable to go back upon what has evolved through the centuries than it is possible to put back into the egg the hen which, as a chicken, emerged from it. As has been very truly said: "Modern civilisation is the web woven of the warp and woof of conqueror and conquered, and it is well for humanity that time, which wears away all things, covers with the mantle of oblivion the rough processes by which they were knit together."

There can be little doubt that the history of the original occupation and taking possession of land was very similar in all times and in all countries. Those who first possessed, occupied, reclaimed, and cultivated the land, gave it its first value, so far as it had any. They and their neighbours similarly situated formed the community which gave the land its added value, which for a long time was *nil* and ultimately came very slowly. Large portions of the earth only a century and a half or two centuries ago were desolate wastes,

covered with brushwood or dense forest, or wildernesses upon which only wild animals and wandering tribes of savages were to be found. Those wild and unproductive regions have been transformed—large portions within the memory of men now living—into waving corn-fields, smiling orchards, and prosperous communities, by the labour, patient endurance, courage, and enterprise of those early settlers and those who followed them who left this and other countries, and took their lives in their hands, to cut down the forests, drain the swamps, break up the prairie and create a property and a home for themselves and their families. As the result of intense labour and severe privation tens of thousands of hardy settlers have gone out from these islands and turned the wilderness into a fruitful field in America, Australia, and New Zealand. They were induced to do it by the promise and prospect of owning the freehold of the homestead they created. But for that prospect, that inducement, and that hope they never would have gone, the desolate shores of those distant lands would never have attracted them, nothing else would have persuaded them to face the inevitable hardship, privation, and toil of an emigrant's lot. Those lands would never have been developed as they were. Now that those hardy people have done what Governments invited them to do, and gave them their land as an inducement to do it; now that their descendants are reaping the reward in improved values which was held out to them as a great attraction, Mr Henry George and his followers propose that the solemn engagements of the State should be thrown to the winds, and that because the result of their efforts has been to found communities which have attracted later settlers from all parts of the world to share and increase their prosperity, the descendants of the original pioneers are to be treated as bands of robbers, and their property is to be filched from them for the benefit of others. Such undiluted dishonesty and fraud would be unthinkable folly.

What has taken place within the last 200 years in those lands across the seas is precisely the process by which this and other countries were settled long centuries ago. Of course, the descendants of those who originally settled the land have benefited by the growth and industry of the whole community which has subsequently grown up. And why not? "The motive that led the settler to clear the primeval forest was partly the expectation that population would follow in his track and raise the value of his investment. But for that hope he would hardly have forfeited the comforts of civilised life. Would it be fair after he has cleared a

pathway through the jungle for more effeminate followers to deny him the legitimate fruit of his enterprise? Surely one of the greatest stimulants to material progress is just the knowledge that good, orderly government will increase the value of poverty.”¹

The Hardships and Reward of Early Settlers

Early settlers in new countries undergo many hardships and inconveniences, run many risks, and work exceedingly hard. They engage in a risky venture which was open to all. If the land turns out well and population flows his way, his enterprise, energy, and good fortune may have a high reward. Any one else might have taken the same chance as he did. Often he expects that the produce of the land while he holds it will be an inadequate reward for his hardships, labour, and expenditure. As Professor Alfred Marshall very truly observes,² he looks for his reward to the value of the land itself, which he may sell to a new-comer who has no turn for the life of a pioneer. People will not face the risks and hardships of pioneer work as farmers or miners in new countries, unless there are prospects of much higher returns than they can get at home. Farmers look to the improved value of their land—to a steady rise in its value—as an important, if not indeed the chief, factor in their returns for their labour and enterprise.

What the price is in toil and endurance which the settler really pays for his holding is indicated by the following extract from an article written by an emigrant to Western Australia :³

The part of the country which I have seen is wheat-growing land which has been taken up from the Government during the last four or five years. The system is that the Government presents the settler with 160 acres, and sells him up to about 1000 acres round on a system of easy payments. The Agricultural Bank then lends him money on work done at 5 per cent interest.

The land, when the settler arrives, is simply a forest of gum trees with a thick undergrowth. The trees have to be killed by ring-barking, and burnt out when dead, while the undergrowth has to be cut down with an axe. To do this to 1000 acres is an immense labour. In addition, the whole block has to be fenced, a house built, and a well dug. As the settler can seldom afford to pay more than one or two hands, and as in many years there is not enough rain to produce a crop, it is often four or even five years before a harvest is obtained. During all this time the settler has been merely accumulating debt at the

¹ S. Smith, M.P., *The Nationalisation of the Land*, p. 14.

² *Principles of Economics*, p. 430.

³ *Westminster Gazette*, April 2, 1913.

Agricultural Bank, if not with his tradesmen, and getting no return at all. To obtain water a settler may have to sink his well anything from 40 ft. to 80 ft., and until that is done it is impossible for him to grow any vegetables or to keep stock, and he has to live entirely on tinned meat and what he can make with flour, etc.

To sum up, a settler may spend five years in unremitting labour under the most severe conditions of life, and end up deeply in debt. During the next ten years he will be emerging from debt, and in fifteen years he may hope, with luck, to be self-supporting and fairly prosperous. It must be admitted that to make this worth while one must start young, and with an iron constitution.

How many men have gone under, forfeited their holdings, been sold up, taken to drink, or become permanently embittered is a tale that is not told in the Government pamphlets. It is a tale, however, over which angels weep.

A Breach of Public Good Faith

The United States and most of our self-governing colonies at the outset of their national career found themselves in possession of a vast fertile domain almost entirely uncultivated and unreclaimed. It has, in every case, been enormously reduced by alienations; all wise and patriotic statesmen agreeing that the greatest and most rapid progress of these colonies and the best interests of all concerned would be best secured, not only by permitting those lands to become the individual property of actual cultivators or others who would render effective service to the community—as by the construction of railways—but also by actively and energetically pushing and promoting the sale or gift of those lands to individuals and others to be held as private property. That communities which deliberately adopted and maintained this policy of sale and gift with regard to lands which were undoubtedly public property, holding out as one of the inducements to purchasers and settlers the prospect and indeed the certainty of future increment, should, when they have achieved the purpose for which they parted with the land, when they have received the advantages in extended development and growth of population for which they bargained, undertake a scheme for the purpose of recovering for themselves, without paying compensation, that with which they had parted for adequate consideration would simply be unmitigated dishonesty and barefaced fraud.

Whether new communities should or should not retain as their own property the land of the community and let it out to occupiers on terms to be agreed upon, or whether old communities should

acquire from its possessors the land on which the community lives and nationalise it, are questions which may fairly be discussed. But it is altogether another thing for a community which for centuries has recognised and encouraged such ownership to propose to break faith with those who have lived and laboured and bought, sold and bequeathed in reliance upon it. Yet this is precisely what Henry George and his followers proposed, and still propose, to do. The methods by which, and the conditions under which, owners of land became possessed of their property have, in reality, nothing whatever to do with what they call their principles. All their references to ancient times, force and fraud, feudal conditions, military tenures, enclosures, the old land tax, the acts of parliaments, of landholders, and the like, in addition to being mostly inaccurate and untrue, are mere irrelevances. They are merely the spice and trimming introduced for the purpose of creating prejudice. They are not the ground on which they base and justify their contention. They claim the right to abrogate all law and to ignore all and every method and condition by and under which land ever became private property in any country at any time. We have already quoted one or two of Henry George's statements on this point, but as it is important that there should be no misconception on the point, we may be pardoned for repeating some of them :

There is on earth no power which can rightfully make a grant of exclusive ownership in land. If all existing men were to unite to grant away their equal rights, they could not grant away the right of those who follow them.¹

As to what extent human law may create rights is beside this discussion, for what I propose is to change, not violate, human law. . . . If landholders say that land is rightfully property because made so by human law, they cannot charge those who would change that law with advocating robbery. But if they charge that such change in human law would be robbery, then they must show that land is rightfully property irrespective of human law.²

How ownership of land was acquired in the past can have no bearing upon the question of how we should treat land now.³

Where the Proposals were made

It is instructive also to remember that these proposals for "confiscating rent," as he himself expressed it, were adumbrated in the United States of America. That is to say, in the country which had spared, and was then sparing, no effort to induce people

¹ *Progress of Poverty*, p. 240.

² *The Peer and the Prophet*, p. 7.

³ *Ibid.* p. 9.

to go from this and other countries to occupy and develop and give value to their land which, without these people, was, and would have long remained, worthless. It was in the very country where, and at the very time when, these people had been tempted to go out by having the prospect of securing the absolute ownership of considerable areas of land held out to them, that Henry George commenced his propaganda and in the name of all the verities called upon his fellow-countrymen to turn round upon those innocent emigrants and deprive them of the value which they had themselves created as the result of ceaseless toil and the endurance of heart-breaking hardships. We say values which they had created, because undoubtedly it was the enterprise, efforts, and presence of these emigrants in communities in the country which gave the land any value it had. At that time, where emigrants had scarcely penetrated, there were tens of thousands of acres more, in all directions, to be had for nothing, on condition that it should be occupied and used, simply because that was all it was worth and all that could be got for it. This was the shameful fraud he advocated, and that he did it there and then and under those conditions throws a lurid light upon the whole of his teaching. As the Duke of Argyll very truly said :

Ahab would have been saved all his trouble and Jezebel would have been saved all her tortuous intrigues if only they could have had beside them the voice of Henry George. Elijah was a fool. What right could Naboth have to talk about the "inheritance of his fathers" ! His fathers could have no more right to acquire the ownership of those acres on the Hill of Jezreel than he could have to continue in the usurpation of it. No matter what might be his pretended title, no man and no body of men could give it.¹

What the Proposals involve, and would lead to

The gross injustice of Henry George's proposals and teaching is not more serious than the effect which their adoption would have upon public credit and public morality. If men will be dishonest in one direction there is no reason why they should be, and it is useless to expect that they will be, more honest in others. Security in the possession of property is the first condition of progress and civilisation. Until that can be assured, force, theft, and fraud must prevail, and the miserable conditions which exist in Central Asia, in Turkey, and did, until our occupation, exist in Egypt, always have existed and always will prevail.

¹ *The Unseen Foundations of Society*, p. 404.

Wherever settled government is established, the first property to receive the protection of law is land. So long as property in it is insecure there will be no trade or industry of any substantial amount. Property in land is safeguarded not only by prescriptive right, which gives a valid title to any property, but also by the strongest titles which the law could devise. To confiscate this property, or any substantial part of it, would be to disorganise the whole economic basis and industrial life of the community.

There is nothing more certain than if you set at nought the primary laws of morality, of which the eighth commandment is one, the descent to anarchy is swift and sure. It is vain to suppose that men who would confiscate this principal form of property would stop short at it; if a thief puts his hand into my pocket and tells me he will only abstract the half-crowns, but that the shillings are sacred, I will put both my shillings and half-crowns out of reach as soon as possible.¹

Repudiation of Public and Private Debts

Henry George preaches repudiation not only as a privilege but as a positive duty. He insists that the ownership of every piece of land shall be taken by force of law without compensation to the settler or any one else who bought in reliance upon the security and honour of the State. After that the next step is easy and inevitable. If no faith is to be kept with the owners of land, why should it be kept with tenants or any one else? If one generation cannot bind another to a gift, a contract, or a purchase, can it bind another to recognise a lease? If one promise ought to be broken, why should not another? Accordingly, Henry George proceeds to show how unfounded are the rules of common honesty, and what a senseless superstition it is to continue to recognise long-standing obligations, by advocating the repudiation of public debts. He says:

The institution of public debts, like the institution of private property in land, rests upon the preposterous assumption that one generation may bind another generation. If a man were to come to me and say, "Here is a promissory note which your great-grandfather gave to my great-grandfather, and which you will oblige me by paying," I would laugh at him, and tell him that if he wanted to collect his note he had better hunt up the man who made it; that I had nothing to do with my great-grandfather's promises. And if he were to insist upon payment, and to call my attention to the terms of the bond in which my great-grandfather expressly stipulated with his great-grandfather that I should pay him, I would only laugh the more, and be the more

¹ Mr. Samuel Smith, M.P.

certain that he was a lunatic. Yet upon this assumption that ascendants may bind descendants, that one generation may legislate for another generation, rests the assumed validity of our land titles and public debts.¹

It will be noticed that this is an exposition of the right of individuals as well as of nations to repudiate hereditary debts. He would stick to the funds and possessions which his ancestors left, but he would repudiate the liabilities which attached to them. He would take the house which his father left, but he would repudiate the mortgage which represented the money which his father borrowed to enable him to build the house.

More Public Pillage advocated

Of course, if we may repudiate what we owe as a community to those who trusted to our honour, still more may we defraud those whose possessions have not been specially entrusted to us. Accordingly we find him advocating the spoliation of the wealthy to practically the uttermost farthing, not only of their land values, but of everything they possess, in order that thereby others may avoid contribution to the nation's requirements. Referring to the debt created by the United States in their struggle for the maintenance of the Union and the suppression of slavery, he contends that the Government ought not to have shrunk from conducting that war for the benefit of the many at the cost of the wealthy few. This is what he says :

If, when we called on men to die for their country, we had not shrunk from taking, if necessary, 999,000 dollars from every millionaire, we need not have created any debt.²

This proposal has nothing whatever to do with land or land values. It is an unblushing advocacy of the plunder of people of whatever they possess, simply because they possess a good deal, without any regard whatever to the means by which, or the conditions under which, they became possessed of it. It is shameless public pillage, nothing more and nothing less. It is difficult for honest people to understand the mental attitude and moral constitution of a man who could indulge in such a propaganda, or of those who support it and continue it by circulating his writings and advocating his proposals.

¹ *Social Problems*, p. 154.

² *Ibid.* p. 154.

PART V
ENCLOSURES

“Very often the cause of great political events and great social movements is economical, and has hitherto been neglected.”—THOROLD ROGERS.

“There is no snare in which the feet of a modern student of ancient lore are more easily entangled than that which is spread by the similarity of the language of antiquity to modern modes of expression.”—HUXLEY.

“Of late years our conceptions of mediæval history have been unduly coloured by a theory which, as we are now finding, has yet to be proved—the theory, namely, that the powers of lords of manors are so many encroachments which have only acquired a legal authority during the last five or six centuries.”—Professor W. J. ASHLEY.

“There is hardly a feature in the plain man’s view of the nature of a common which corresponds to the reality as it was used by our ancestors.”—R. H. TAWNEY.

“It is probable that even before the statute of Merton the lord could deal as he liked with the commons and wastes of his manor so long as he did not derogate from his own grant; and there seems no reason to suppose that the soil was not considered his from a very early period, probably from the first moment the question of the soil became of importance.”—Mr. (now Mr. JUSTICE) SCRUTTON.

“The reclaiming of land went on from the very first settlements into later ages as one of the most powerful processes tending to form society and to extend the limits of life. The struggle against the waste and the spread of cultivation gave rise to a change in the character of commodities and a displacement of rights. . . . The early history of the inevitable struggle is as obscure as it is interesting and important.”—Dr. VINOGRADOFF.

“The counterpart of the modern labourer is the medieval slave, and the villein corresponds to the modern small farmer or landholder.”

“You [the labourer] were a slave, then a serf, now a wage-hireling, and you must ultimately become a partner.”—MAZZINI.

“In every age prosperity is taken as a matter of course and, in defiance of all experience, mankind reserves its surprise for distress.”—R. H. TAWNEY.

“Too often men and women become social and political reformers and philanthropists because they have been caught by a cry of suffering or an urgent plea of wrongs to be righted: but they have seldom formed any adequate idea of the complexity of the problems with which they attempt to deal, or of the delicacy of the social machine on which they depend.”—Dr. HENRY DYER.

CHAPTER I

COMMONS AND COMMON RIGHTS

THE enclosure of common fields and waste lands occupies such a prominent position in all discussions concerning the ownership and occupation of land and the position and condition of the agricultural population in this country that I have deemed it desirable to devote a separate section to an account and consideration of it.

The general term "enclosure" covers two distinct kinds of enclosure which were different in character and effects in important particulars. The enclosure of common fields—arable and pasture—was the enclosure of land which was already occupied and cultivated, and the readjustment of the holdings on it and the interests in it. The enclosure of waste land—heath, moor, woodland, and marsh—was the enclosure and allotment among those who had ownership of it or interest in it of land which had hitherto been uncultivated, in order that it might be put to effective and profitable use as arable or pasture land.

Enclosure was the natural result of economic causes and the conditions prevailing at the time at which it took place. It was a continuous process extending over several centuries, although it varied much in extent at different periods.

The effect which it had upon the condition of the people, and especially on the condition of the peasantry, has been the subject of much controversy, and very contradictory opinions have been expressed with regard to it. There is truth and substance in both of the main attitudes towards it. That enclosure was necessary and inevitable, and that it was beneficial to agriculture, to the agricultural districts, and to the nation as a whole, is beyond question. That, as is almost unavoidable when great changes are made, the benefits which were derived from enclosure were accompanied by disturbance, inconvenience, and loss to some, and that these

increased discontent and gave cause for complaint when other grievances were causing trouble is also certain.

The broad, general, local and national results were good ; but there was considerable local, class, and individual disturbance and hardship, much of which was probably inevitable, but some of which might have been mitigated or avoided. It is also certain that much disturbance and discontent that was and is still in some quarters attributed to enclosure was the result of other influences and conditions.

Common and Rights of Common

Much of the misconception which prevails on the subject of enclosure and of commons arises from a failure to appreciate the distinction between commons as the term is popularly understood to-day and the common and rights of common of early times.¹ Commons are now frequently regarded as, and the term is understood to represent, land to which the general public have a right of access for purposes of recreation and of which the poorer members of the community in the vicinity in rural districts may make more or less profitable use. In other days common and rights of common were the usual and an essential part of the system of cultivation and tenure which then prevailed.

In the Middle Ages every village community would be as anxious to exclude strangers from its lands as it was to preserve its members' rights in them against encroachment from other members or their lord. Exclusive occupation of land was not an institution of the land-owner only or mainly. The legal theory which denied the possibility of public rights over land was in origin and in fact only the formal expression of the dispositions and habits of society.

The legal position of the waste of the manor was that it was so much of the lord's land as his predecessors or he had not found it worth while either to cultivate or to let to tenants. Professor Gonner points out that the early position of common was in almost every way in entire contrast to the ideas associated with it in the present day. Its existence now is taken as denoting the claims, somewhat vague and precarious, of the public as against those holding the land and engaged in its cultivation. The early rights of common were anything but vague, and were invariably vested

¹ Commenting on the debate on a Bill which was introduced in the House of Commons in 1869 on the Report of a Select Committee, Professor Gonner says, "The discussion which took place showed an almost grotesque misunderstanding of the early nature of common," *Common Land and Inclosure*, p. 73.

in those employed in cultivation, or their representatives: they were anything rather than a general claim on the part of the public.¹

Popular Ideas of "Common" erroneous

"The English law," says Pollock,² "is far from countenancing the belief that there is land which belongs to nobody and is free to all the world. Some such belief is probably held by most people who are not lawyers. . . . But in England it is not legally possible. Land may be subject to public rights of way, to rights of common, and to a great variety of private rights. It may be worthless for all purposes except those of recreation, and the owner may be undiscoverable. But an owner there must be somewhere: the Crown is the last resort if no other is forthcoming. I am not aware that the public at large have a strict right to be anywhere except on highways (including estuaries and navigable rivers) and public footpaths, in places expressly dedicated to public use and enjoyment by their former owners or by Act of Parliament, and on the foreshore of the sea between high and low water-mark. And, strictly speaking, the right to be even on a highway is limited to the purpose of passing and repassing. . . . No one but a lawyer would guess that the public have a better right to be on Wimbledon Common than on Dartmoor. Yet such is the case. Wimbledon Common has been dedicated to the public by an Act of Parliament. Dartmoor is in practice quite as free for all the world to walk and ride on, but the number of persons who have any strict right to be there is probably by no means a large one. . . . The only legal obstacle to Dartmoor being enclosed is the existence of rights of pasture and turf-cutting over it, which, of course, belong not to the public but to a definite though considerable number of commoners. . . . Practically the unenclosed and untilled ground of England is free to the public for two reasons. The owners have no interest in keeping the public off, and would find it both an invidious and a troublesome thing if they tried."

"There is hardly," says Mr. Tawney, "a feature in the plain man's view of the nature of a common which corresponds to the reality as it was used by our ancestors, and as it is used to-day by communities whose land system has followed a different course of development from our own. He thinks of a common as land which, like a municipal park, 'belongs to the public,' land which any one may use and any one abuse. In the innocence of his heart

¹ *Common Land and Inclosure*, p. 3.

² *The Land Laws*, pp. 12-15.

he will even move his local authority to put in a claim for its possession, and is very much surprised when its solicitors tell him that he is fighting for the rights of two or three mouldy tenements. Again, he thinks of a common as a place of fresh air and recreation, not of business. . . . In connection with agriculture he thinks of it not at all—is it not waste land, the opposite of land which is under cultivation? In one respect he is right. Our existing commons are remnants—remnants which survived the deluge of eighteenth-century Private Acts mainly because they consist of land too poor to pay counsel's fees. In all other respects he is wrong. In the earlier period the word Common implied common exclusiveness quite as much as common enjoyment. The value of a common to the commoners consisted precisely in the guarantee given them by custom that no one might use it except holders of tenements who time out of mind had a right thereto, and that no man might use it to a greater extent than the custom of the manor allowed. And the modern man is especially wrong in regarding commons as though they fell below the margin of economic employment. Commons and common rights, so far from being merely a luxury or a convenience, were really an integral and indispensable part of the system of agriculture, a linch-pin the removal of which brought down the whole structure of village society tumbling down.”¹

With regard to the position of the public with reference to commons which are open spaces, Mr. Scrutton (now Mr. Justice Scrutton) says :

The public have no rights recognised in law, or which could be enforced in a Court of Law. Owners and occupiers of commonable tenements may have rights of common ; inhabitants of a village may have lawful customs of recreation on village greens : there may even be public rights of way in defined tracks across the commons : but a right of walking or of recreation over the whole common, in no defined path or places, claimed for the whole public, will not be recognised by any court of law.²

The Ancient Legal Position

From the Conquest onward for 300 years the conditions of tenure and the position of the various cultivators and holders of the land remained practically the same. The prevailing conditions in the cultivated areas, which were small, were that portions were cultivated by free tenants who had rights of common pasture. The

¹ *The Agrarian Problem in the Sixteenth Century*, p. 238.

² *Commons and Common Fields*, p. 173.

rest of the domain was cultivated by villeins and cottars who held by tenure of services due to the lord. Round these villages and small cultivated areas stretched woodland, moor, marsh, and waste on which pigs and cattle found poor pasture.

The old legal position was that the lord of the manor was the absolute owner of the soil in his manor, and that all the rights which freeholders and copyholders had arose originally from the grant or sufferance of the lord. Lord Coke and Blackstone held this view. Blackstone says :

On the arrival of the Normans here, they might give some sparks of enfranchisement to such wretched persons as fell to their share by admitting them to the oath of fealty ; which conferred a right of protection, and raised the tenant to a kind of estate superior to downright slavery, but inferior to every other condition. This they called villeinage and the tenants villeins. . . . Villeins in process of time gained considerable ground on their lords ; and, in particular, strengthened the tenure of their estates to that degree, that they came to have in them an interest in many places, full as good, in others better than their lords. For the good nature and benevolence of many lords of manors having, time out of mind, permitted their villeins and their children to enjoy their possessions without interruption in a regular course of descent, the common law, of which custom is the life, now gave them title to prescribe against their lords, and on performance of the same services to hold their lands, in spite of any determination of the lord's will. . . . From what has been premised, it appears that copyholders are in truth no other but villeins, who by a long series of immemorial encroachments on the lord, have at last established a customary right to those estates which before were held absolutely at the lord's will.¹

A Modern Theory and the Controversy about it

During the latter half of last century there were two theories with regard to the ownership of land and rights of common, and much controversy arose about them. One was the legal theory and the other the historical theory. It was upon a historical theory as opposed to the legal theory that most of the popular opinions of the last fifty years with regard to land and its enclosure and rights of common were based. Recent historical research has, however, thrown much light on these theories, and enabled us to see the facts far more clearly than was possible before, with the result that we now know that the popular view with regard to commons, rights of common and enclosures is inaccurate.

¹ *Commentaries*, vol. ii. p. 92.

The legal theory of the right of commons is that the primitive form of property was individual ownership, and that the rights of common were based upon the grant or sufferance of the individual owner. The historical theory was that the natural and original form of property was common ownership, and that rights of common were the survivals of the time before individual ownership emerged.

The legal theory means that rights of common represent the encroachments of the tenants or the public upon the possessions of private owners. The historical theory meant that the rights of common represent what the encroachments of individual owners had not absorbed.

Probably the truth is that so long as the use of land was pastoral only there was lordship of the head or chief of the tribe or district, and common use by the people and their cattle. As soon as arable cultivation began, ideas of ownership would evolve. When they did they took the form of individual or family and not communal proprietorship. Lordship would then gradually become identical with ownership of land which was not specially allocated to any one else; and use and occupation of it would be granted by the chief or lord to his serfs and vassals from time to time as circumstances and the growth of population required.

Seebohm and others have shown good reason to doubt that the common field system of cultivation meant that the cultivators ever owned the soil. It rather suggests that they were always tenants with regulated customary rights and not owners. There is no question that in Anglo-Saxon times land was owned by individuals and cultivated by communities who held under their lords by more or less servile tenure.¹ Blackstone and Coke held that rights of common existed subsequently to manors, and originated in the grant or sufferance of the lord.²

Mr. Seebohm's investigations supported the main lines of this view. His opinion was that the ordinary Saxon estate was held of a lord with a village community holding by a servile tenure under him. This became the Norman manor. It was a very ancient growth, and probably resulted from a combination of the South German and Roman systems, and existed in its main features before the Saxon invaders came here. He maintained that the Saxon conquerors found here already in existence a form of the manorial system, and they substituted themselves for the old British heads of it.

¹ *Dictionary of Political Economy*, article "Commons."

² *Ibid.*

At one time, for a comparatively short period—about 1850 to 1890—the view of Coke and Blackstone was considered to have been largely controverted and upset by the theory which originated in Germany, and was developed and applied here by Freeman, Kemble, Sir H. Maine, Stubbs, and Thorold Rogers. This theory claimed to find the beginnings of economic history in self-governing communities of freemen who owned and cultivated the land in common. This free “mark,” as it was designated, was supposed to have become the manor of villenage, with its serfdom and servile tenures, as the result of the aggrandisement and tyranny of one of its number and his successors, who ultimately became the lords of the manor. For a time this view was adopted and taught by Mr. Joshua Williams and other leading legal writers on the subject, the theory being, as Mr. Kenelm Digby stated it, that “the common or uncultivated land of the township was in process of time regarded as the sole property of the lord of the manor, and was called the lord’s waste, and the old customary rights of the villagers came, as notions of strict legal rights of property were more exactly defined, to be regarded as rights and user on the lord’s soil.”

Mr. Seebohm and others by their researches were able to confute this theory, and to show that fundamentally the older view of Coke and Blackstone was the true one. It was useless to talk of the system having been introduced by the Normans when Mr. Seebohm had shown that more than a century and a half before the Conquest there were here communities tilling common fields and rendering services and labour in kind “as they were bid,” and was also able to distinctly trace their development as communities in manors from slavery through customary and commuted servile duties to freedom centuries later. The result is that the opinion now is that the view previously expressed by Mr. Williams¹ that common appendant was of common right and independent of the lord’s grant, and that it is a relic of the pre-Conquest village community is regarded as one which cannot be sustained.

With regard to villeins and tenants in villenage, the fact is “that at the Conquest an almost complete change of ownership took place, and there is no evidence that any particular respect was paid to vested interests or pre-existing rights. It may be that there was a state of things existing which should have given and did give the cultivators a moral claim to the consideration of their lord; but how from the point of view either of law or history their legal

¹ *Rights of Common*, p. 37.

rights can be said to originate otherwise than in the express or tacit grant of the lord, it is hard to understand. There is no evidence to support the view that the soil was not treated as the lord's property: in the thirteenth century, at any rate, the freehold of the soil held by the tenants in villeinage was treated as being in the lord. . . . And we find the lord in different parts of the country claiming the ownership of the commons and waste against all strangers. . . . It is probable that even before the statute of Merton the lord could deal as he liked with the commons and wastes of his manor so long as he did not derogate from his own grant; and there seems no reason to suppose that the soil was not considered his from a very early period, probably from the first moment the question of the soil became of importance." ¹

What appears to be the real truth of the matter in this respect has been well stated by Professor Ashley in his remarks upon the agrarian revolution of the Tudor period:

Of late years our conceptions of mediaeval history have been unduly coloured by a theory which, as we are now finding, has yet to be proved—the theory, namely, that the powers of lords of manors are so many encroachments which have only acquired a legal authority during the last five or six centuries. The proposition seems far more tenable that, during historical times and until comparatively modern days, the cultivators of the soil were always in a condition of dependence, and held their lands at the arbitrary will of their lords. For centuries the lord knew no other way of getting his land cultivated, and had no wish to get rid of a tenant; whenever he did so, it was altogether exceptional. But with the tendency to limitation and definition so characteristic of the feudal period, custom tended to harden into law: and it would seem to have been on the point of becoming law when a change in the economic situation—increasing advantage of pasture over tillage—prompted the lords to fall back on their old rights. Then followed a struggle between a *legal theory becoming obsolete*, but backed by the influence of the land-owners, and a *custom on its way to become law*, backed by public sentiment and by the policy of the government.²

The Origin of Common and Common Rights

It was only as circumstances changed and the conditions under which agriculture was carried on, advanced, and improved, and common right ceased to be an essential appendage to a farm, that the so-called rights of the public, and especially of the poor, which

¹ T. E. Scrutton, *Commons and Common Fields*, pp. 39, 40.

² *Economic History*, vol. i. part ii. p. 281.

in many instances were not rights, but were the result of trespass or sufferance, became important.

Under the common field system of cultivation which prevailed under the manorial system, the cultivators had to provide the cattle required to plough the land and carry the produce and other articles. They were also required to manure the land. During a considerable part of the year they could not be kept on the land which was in cultivation for providing grain or hay. Accordingly, in the early manors, each holding of land had attached to it certain rights of common over the waste of the manor. These rights of common entitled the occupants of certain lands to pasturage on the waste for a limited number of cattle, etc., and also to take from the waste such turf as was necessary for fuel, and such wood as was necessary to repair implements, fences, and buildings. These were rights which were attached to the occupation of certain lands and were, so to speak, a part of the tenancy or possession. They were rights over part of the yield of other land of the lord of the manor, usually the lord's waste, which went with the property.

The earliest form of this right—*common appendant*—was universally assumed in the case of all freehold tenants of original manors, and was regarded as a necessary part of their tenure.¹ It was not necessary to prove it by deed or by prescriptive usage. It attached to arable land only, and was limited to the beasts required for the cultivation of that land—that is, to the oxen or horses required to plough, etc., and the sheep and cows required to manure the soil. A less ancient and less general form of right—*common appurtenant*—originated by grant or by uninterrupted usage, and had to be proved by deed or prescription. The important point is that this common and these rights of common were not rights of the general public. The public as such had nothing to do with them. They were rights attaching to particular properties.

In course of time, as land became enclosed and fenced and pasture became more general, rights of common tended to be separated from the cultivation of arable land and to attach to the occupation of the tenement to which the arable land belonged or had belonged. As the origin of the rights of common became obscure, claims to common were raised on behalf of those who lived near the waste.

¹ *Common appendant* was the right to common attached to the possession of a freehold created prior to the Act *Quia Emptores*. Service in feudal tenure was really the basis of it. It was of the nature of an incident of socage tenure, and was therefore universal in the case of lands in original socage. It applied only over the lord's waste in respect of arable holdings.

Their claims were based on usage. Generally, in all parts, the cottagers living near the commons, entirely without any question of the occupation of ancient cottages, came by usage and grace to enjoy the minor privileges of common. They would gather their fuel, turn out their pigs and geese, and often pasture a cow. These privileges were of the nature of a trespass and an encroachment. They owed their origin to sufferance and not to legal right. As enclosure proceeded and the waste diminished they became more important, and when the land upon which they had been exercised was enclosed they were sometimes regarded as sufficiently substantial to be recognised by special allotment.

Sir John Sinclair's Statement of the Matter

A very useful summary of the facts of the case as they were understood by the best authorities 120 years ago, is to be found in a statement by Sir John Sinclair, President of the Board of Agriculture, which was published as an Appendix to the Report of a Select Committee appointed in 1795 to consider the best means of promoting the cultivation of the waste unenclosed and unproductive lands of the kingdom. He said :

England was anciently divided into districts, the extent and value of which varied extremely. Certain portions of these districts, under the name of demesne lands, reserved to the lords and barons of the several divisions, were possessed by the proprietors themselves, and cultivated for their use and behoof by their servants and vassals, the latter of whom had frequently lands granted to them in severalty, subject to the above, and to other services of a feudal nature. In process of time, as population increased, other portions of land were granted by the lord, which the tenants of the manor occupied as common fields and meadows, part of which was kept in grass, for pasturage or for hay, to secure winter provision for their cattle, and the remainder was cultivated for grain. The residue was called the lord's waste, and being considered of little value, the tenants of the manor were permitted to take from it turf for fuel, wood for the purpose of building or repairing their houses, constructing their instruments of husbandry, etc.; and on the herbage, the cattle, sheep, and horses, both of the lord and of his tenants, found the scanty means of subsistence. The first portion was held in severalty, and at an early period was enclosed, to prevent the encroachment of farmers in the neighbourhood. The second, whilst the crop was upon the ground, whether meadow, grass, or grain, belonged exclusively to the persons to whom it was granted, and by whom it was respectively occupied in severalty; but no sooner was the crop secure than it reverted into a state of commonage, among all the

persons who had grants of land in such common fields. The third division always remained in common, subject to a variety of regulations, according to the customs established in the different manors, whether the common was stinted or unstinted, or whether more than one manor or township happened to be interested in the same waste. Such were the circumstances, joined to the scanty population and defective agriculture of the country at that time, to which the great extent of waste lands in the kingdom are to be attributed, in addition to which it may be observed that, in various parts of the kingdom, vast tracts were appropriated to the use of the sovereign under the general name of forests or chases. . . .

A right of common is, in general, understood to be a profit which one person hath in another's land without having any property in the soil. It is an incorporeal right originating in some real or supposed agreement between lords and tenants, incident to some tenure for valuable purposes, or founded on long possession.

The Various Rights of Common

The rights of common as described by him were :

1. Common of pasture—a right to feed cattle on the common.
2. Common of turbary—a right to cut turf for fuel.
3. Common of estover—a right to cut wood for fuel, repair of house, implements and fences.

Common of pasture was divided into :

1. Common appendant.
2. Common appurtenant.
3. Common in gross.
4. Common because of vicinage.

Common appendant was a right of those who held land of the manor to pasture upon the wastes of the manor their commonable cattle which were necessary for cultivating or manuring their land. "It must have had its origin before time of legal memory, for at this day no such right can be created." The ownership of the soil of the land subject to this right was in the lord of the manor. Originally this right belonged to arable land only, though then it could be claimed as belonging to meadow or pasture.

Common appurtenant is a right, not incident to any tenure, but having its commencement in a grant.

Common in gross is common appurtenant which has been alienated from the lands to which it was appurtenant, and is held separate from them. Common because of vicinage "is not properly a right, but is merely an excuse for a trespass."

“ All these species of rights of common, except where a particular grant can be shown, must be prescribed for and proved by long and immemorial usage and uninterrupted enjoyment.”

It was considered that these different rights arose from the necessity of enabling cultivators, before artificial manures were known, to continue their land in an arable state, by annexing to their holding sufficient common to support their cattle. The common law annexed this right to grants of land by lords of the manor as incident to such grant. Sinclair's conclusion was :

That those rights could only have arisen in the infancy of agriculture, and of the arts therewith connected, which might render the existence of such rights necessary. But whatever circumstances might have occasioned such tracts of valuable territory to remain unoccupied and in common, at a time when land from want of population and skill was little in demand ; yet in this age (1795) of extended population and of increased wealth, and of diffused knowledge in agriculture and its attendant arts, any intermixture of property in the same land, as being a great, and in many cases an insurmountable bar to all improvement, is an evil of such magnitude, that to a legislature distinguished for its attention to promote the public interest, it need only be pointed out in order to have it remedied.

What Enclosure really was

Enclosure is a wide term and covers widely differently transactions. The popular idea is that it means the taking possession and making private property of land, which is really public property, to which the general public have had free access and upon which all neighbouring residents had the right to turn their sheep, cattle, and fowls. It is assumed that this is always done by some large land-owner or influential person who is powerful enough to set at nought law, right, and justice, without having any legal and moral ground on which to base any justification for his claims and action. As a matter of fact, however, this idea and the assumptions on which it is based are not only quite inaccurate, they are in every particular precisely the opposite of what was and is the true and real position.

It must also always be borne in mind, as has already been remarked, that there were two or three kinds of enclosure. One was the enclosure of the common fields which were already being cultivated and used as pasture by the lord of the manor and the occupiers of the holdings in the manor. As agricultural knowledge and efficiency developed, these scattered strips were redistributed

so as to bring the whole of each cultivator's holding more or less together, so that they might be fenced in and be occupied and cultivated as a whole and continuously by the same tenant or owner. This was the enclosure and allotment to individual owners of land which was already under cultivation either as arable land or meadow. A second class of enclosure was the bringing into cultivation of waste and open land of which no practical use had been made, or, at any rate, the enclosure of which would leave sufficient other land of the same kind to supply all the rights of common of fuel, wood, and pasture which attached to the holdings of the occupying cultivators in the manor. The enclosure and cultivation of old forest land which had gradually been cleared, and of fen and marsh land which was from time to time drained and reclaimed, was in this category. This was an extension of cultivation and profitable occupation, much of which was necessitated by the growth of population and commerce. A third class of enclosure was the fencing in and allotment to individual proprietors of that portion of the waste or open land which had been used in common by the cultivating occupiers of the manor, and which could then be more efficiently cultivated and be made far more productive than when it was used in common. This was a kind of enclosure which largely followed from and was closely connected with the transition from the common field system of cultivation to that of the permanent separate occupation of holdings similar to our present-day farms.

Nor was enclosure by any means always carried out by large land-owners against the wish and interest of the tenants. A large amount of enclosing was done by tenants themselves who desired to consolidate and cultivate personally holdings which had hitherto been scattered and cultivated in common with their fellow-tenants. Enclosure of the waste was also not always done by the land-owner on a large scale. Much of it was done piecemeal and gradually, and was a process continually going on during many centuries. Indeed it is obvious that it must have been so. For hundreds of years the cultivated area in this country was a small proportion not only of the whole, but of the cultivatable area. The villages and their surrounding occupied fields were small islands in an ocean of waste, moor, wood, and fen. As population increased and the needs and capacities of the people grew, and as some cultivators became more prosperous, more land was required and from time to time was taken in from the waste by the tenants themselves, with the consent of the lord and according to the

custom of the manor. Thus much enclosure which took place did not mean turning people off the land, but was the means by which they were provided for and accommodated on it.¹

The Legal Position

The problems to which these various kinds of enclosure gave rise were in some broad general respects the same, but in other respects, and especially in details, there were important differences. The method of enclosure, the procedure by which common fields and rights of common were redistributed and dealt with, were various, and they differed in kind and importance at different periods.

The great stimulus which was given to the enclosure movement in the sixteenth century gave it the dimensions of an agrarian revolution, with the result that it raised the question of the legal position of the village community as regards the commons in a very acute form. The law and popular ideas on the subject were possibly not so far apart as they are now, but they were very much at variance on important points, and it was out of that difference of view and belief that so much difficulty and discontent largely arose.

The strict and correct interpretation of the law and the facts, the interpretation which the King's Courts determined and confirmed, was that the members of the village community were simply persons, some of whom had individual rights as occupiers or owners of certain properties which the lord of the manor had at one time or other granted either permanently or for a term or at his will. They were individual rights which they could, under certain conditions and at certain times, exercise jointly. They could also, as a community, make rules and regulations and establish and adjust customs with regard to these rights, and within limits those regulations would have the status and force of law, and would be upheld in the King's Courts. But these powers and this joint action did not make the individual rights communal rights, still less did they make the land communal property. In law the individual must, if necessary, establish his claim to rights of common under a title of common appendant or common appurtenant, common in gross or common in vicinage. If he could not do that his claim fell to the ground. "Of those four titles," says Mr. Tawney quite truly, "*residence in a manor was not one.* The occupier, who is

¹ Jack Cade in 1450 does not seem to have complained at all of the enclosure of common land (Stubbs, iii. p. 151).

the unit of English Local Government to-day, had, as such, no standing, because he was not, *qua* occupier, a holder of one of the arable shares with which, primarily, rights of pasture went.”¹

As a matter of fact, a number of people, cottagers and labourers, who were not holders of land which conferred any rights of common did use the commons for pigs, cows, and poultry. So long as there was space enough nobody interfered, and no one was injured or inconvenienced thereby. But it was a use on sufferance—a concession or an encroachment—and not of right. Such persons were legally in an unprotected position, and, as Mr. Tawney puts it, “it is obvious that when enclosing took place there might be a considerable number of persons, perhaps an actual majority of the villagers, who could not even raise the question whether they could obtain redress or not, and that much distress could be caused without any infringement of the law.”²

The Importance and Position of Copyholders

The position of freeholders was a strong one. The courts would uphold their rights if appealed to, and in any rearrangement or enclosure affecting their rights they had to be settled with. The position of copyholders was very varied and less secure. A copyholder was a tenant at will by copy of the court roll, according to the custom of the manor, the terms being set out on a copy of the entry of admission.³ The nature and conditions of their tenure differed widely, and much turned on what these really were. Some were copyholds of inheritance. These descended to their heirs and successors. Many were copyholds for a term of years or for life or for lives, and these reverted to the lord at the end of the term or on the death of the tenant or the lives. All were held on the custom of the manor: but, to be authoritative and binding, the custom must be an immemorial one; it must have “been used time out of mind.” Mere prescription, mere general usage were not custom. Custom varied from manor to manor, and the courts would uphold it, unless it were clearly “unreasonable.”

In many, if not indeed in all, copyhold tenures the rent was

¹ P. 247.

² *Ibid.*

³ “The copyholder was the root of the difficulty with regard to enclosures of land. He was what was left of the old English villain—the old English non-free peasant. He had got himself free gradually. He was a person who had to hold on conditions of personal service of a rather degrading kind, but who in course of time got privileges according to custom, which finally became legal. Instead of service he now paid in money, but had security on conditions. They could only get the copyhold where there had been a manor, and now it was a thing dying out.”

fixed. It was only the fine on renewal that was variable, and in many cases the custom of the manor determined its amount. Where it did not, the fine might be made excessive and be used as a means of oppression. In most cases the copyhold rent had been fixed in days when values were small, and consequently the rent was low. Indeed they were not really rents; they were the commuted value of services. This gave the copyholder a valuable property as values increased and money prices rose. Mr. Tawney gives some illustrations. In one village the rents payable were £16:0:5; "the annual value beyond rent" in 1608 was £93:4:4. In the manor of Hexham the rents of 314 copyhold tenants were £126:4:8½; the "value above the oulde Rentes" in 1608 was £624:4:1. On another manor the rents paid in 1636 were £11:8:7½; the value of the holdings was £215:1:6 a year. Such tenants were in a favourable position, and we can understand how the more capable of them would save money and take or buy more land.

Similar conditions did not prevail with regard to the new holdings carved out of the waste or let or sold from the demesne, nor with the new sub-tenants on those old customary holdings which had been acquired and were sub-let by the new capitalist owners and the larger farmers. In those cases the competitive market-price rents were charged and paid. Two results followed from this: on the one hand the commercial value rents were regarded as excessive, and on the other the land-owners were naturally anxious to place as much of their land as possible on this basis.

As regards copyholders much obviously depended on whether the payments on admission—that is continuance or renewal—were fixed or could be increased at the will of the lord. Where the holding was not an estate of inheritance it returned to the lord from time to time, and then the lord could either renew it or not, and if he renewed it the terms and conditions could be revised. Even where the holding was an estate of inheritance, if the payments on admission were not fixed, but had to be negotiated and arranged, it was possible for a lord to make a tenant throw up his holding by demanding a prohibitive fine. The outcome, broadly, was that copyholds of inheritance had a firm and permanent title so long as the custom of the manor was observed. Copyholds for life or lives with right of renewal were practically similar to estates of inheritance. Copyholds for life or lives were uncertain and precarious. Copyholds for fixed terms without right and renewal were similar to leases.

Dr. Savine has published ¹ particulars which indicate that the manors on which copyholders had an estate of inheritance were about half the total number of manors, while on about two-thirds of the manors the fines were uncertain and not fixed. Mr. Tawney ² has added particulars of other manors and arrives at the conclusion that copyholds for life or lives were more usual than copyholds for inheritance, and that fixed fines were the exception and variable fines the general rule.

Naturally one of the demands constantly made by copyholders liable to variable fines was that the fine should be fixed. In the Yorkshire rising in 1536 and in Ket's insurrection in 1549 this was one of the points put forward. It would, of course, have meant that tenants, who were really little different from leaseholders, should be made permanent tenants at a fixed rent. On the other hand, the land-owners contended that, as the value of money had changed enormously, a considerable adjustment of the payments was needed in order to make them really equivalent to the old ones. The point also involved a contest as to whether the owner or the tenant was to pocket the benefit of the increased value of the land.

Other Customary Tenants

During the sixteenth century the fixed rent of the socager or freeholder—owing to the fall in the value of money—became so unimportant and yielded so small an income to the lord of the manor that in many cases it disappeared altogether, or became hardly worth the trouble of collecting. The time was coming when those who held by the more honourable tenure of knight's service would insist on the humbler but less onerous terms of the socager.

Up to 300 years ago the customary tenants—copyholders or tenants at will—were in number and in the amount of their payments a far more important element in the agricultural life of the country than the freeholders and leaseholders, and of the customary tenants copyholders were much the greater number. All customary land was not copyhold, but almost all copyhold land was customary.

In addition to the various classes of copyholders there were a large number of leaseholders and tenants at will who had never reached the position of copyholders. Where tenants of the manor were not copyholders and held simply at will—like our annual tenancies—or were leaseholders for short terms, or were old customary tenants, or new-comers for whom new or additional holdings had

¹ *Journal of Economics*, vol. xix.

² Pp. 300-301.

been created on the waste or the demesne on more modern conditions and without the rights of copyholders, they were, of course, liable to have their tenancies terminated either at any time or when their terms ran out. Such of them as were customary tenants could appeal to the custom of the manor as a copyholder could, but as they had no copy they were without documentary title and had to appeal to the records of the court or to the memory and testimony of others, which, of course, placed them at a disadvantage.

These various classes of customary tenants other than copyholders were very numerous; on some manors they were the majority. They were the tenants whose position would be affected by the new departure in agriculture which made for grazing farms and larger holdings. It would be for their holdings that higher rents would be given by the larger farmers, and these would be the men who would be bought out or not have their tenancies renewed in order that the strips in the common fields might be consolidated and enclosed. In the ordinary course this would be done quite legally. The owner was entitled by law to make the best and most profitable use of his land—the use most in accord with the developments of the time. That it often caused loss and inconvenience and sometimes suffering to those who were disturbed is probable and indeed certain. That as much consideration as might have been shown was not always given to those who, while they had no legal rights, had claims to generous treatment is also probable. But it is equally clear that much of the denunciation of what was done was, and still is, based on a complete misconception of the real facts and legal position. Much of the talk about fraud and robbery was, and is, pure nonsense. That full advantage was often taken of legal rights is doubtless true, but between that and the theft. “filching,” and illegality which is sometimes so freely alleged there is a great difference.

What Rights of Common really were

We are not now discussing whether the law and the actual position ought to have been what they were. What we are endeavouring to ascertain is—What really was the law, and what really was the position, and what really were the legal rights of the various parties concerned in and affected by these transactions?

When we are considering the methods by which, and the conditions under which, rights of common were terminated, it must be remembered that the right attached to the holding and not to the

holder. When a cultivator took or owned a tenement with certain lands or shares of the common fields attached to it he had, in consequence, or rather as part of his tenancy or ownership, certain rights of common. The point is that these rights of common were not rights of individuals as such or as members of the general public living there. They were rights which attached to certain adjoining properties of which these individuals were the occupiers or owners. Any one who did not own or occupy a property to which rights of common attached, or who ceased to occupy such a property, had no rights of common. The case was in some respects similar to one which exists and is well known in connection with some squares of residential houses in London. They have a central garden which is "common" to the occupiers of the houses in the square. Access to that garden is a right or privilege which attaches to the houses. The occupiers enjoy it because they occupy those houses. It is not a personal or a public right. The public have no right in the garden, and the right of the present occupiers of the houses to use the garden ceases when their occupation of a house in the square determines. If the gardens in those squares were not carefully enclosed and protected, the general public would trespass on them, and might in course of time establish certain rights which would materially interfere with the privacy and seclusion of the gardens. Such rights of the public so acquired would not be rights based on any original rights or ownership. They would be the outcome of trespass and encroachment, the result of sufferance on the part of the owner.

In broad general outline this illustration indicates the position of the various parties—the lord of the manor, the cultivating occupier, and the general public—concerned in the enclosures which took place from the fifteenth century onwards.

The Effect of Changing Conditions

There is another point which must not be lost sight of. In early times, when agriculture and the primitive occupations immediately connected with it was practically the only industry, almost everybody was either an occupier of land to which rights of common attached in some form or other, or he was a smith or wheelwright or engaged in some occupation to which rights of common were given, or he was in a position of servitude and was, by his lord, in return for services, allowed certain privileges of common. In later times, on the one hand, as commerce grew and other industries

developed, and, on the other, as more and more waste land was enclosed and numerous new ownerships and tenancies were created which were without rights of common, and, also, as the old conditions of servitude of the poorer classes ceased and the privileges attached to the servitude terminated with it, a considerable population grew up to whom none of the old rights of common belonged. The fact, however, that at one time almost every one had some rights or privileges of common of one kind or another, as a consequence of and attached to his position or holding, tended to create the impression that rights of common were personal and belonged to all, not as occupiers of certain holdings or as renderers of certain services, but as individuals and inhabitants. This erroneous though popular view was perpetuated by the fact that during the long period when the population was small and land was abundant and of little value there was no necessity for restriction or restraint, and little or none was exercised. A very large part—one-half to two-thirds—of the country was waste, and the people adjoining the waste were not interfered with in a reasonable use of its turf, wood, and such pasturage as it afforded and they could use, so long as those who had legal rights were not curtailed in the use of that to which they were entitled. The result was that when the time arrived for the enclosure and effective cultivation of land which had hitherto been open and waste, the difficulties and complications arising from conflicting interests, rights, custom, prescription, trespass, and encroachment were many and great: and it is very easy now for any partisan to make out what is apparently a very strong and plausible case of robbery, injustice, and hardship if he confines himself, as so many who write on this subject do, to telling only half the story.

What sort of an impression could a writer of a hundred or a hundred and fifty years hence convey of the England of to-day if he quoted freely and almost exclusively from our popular weekly newspapers?

England seen through the medium of its Sunday Press—the Press which to seven out of ten of its present inhabitants represents the sole picture they possess of the world outside their local lives—takes upon itself an appearance of violence and madness. Men and women knife each other in the dark. Children are foully butchered by unknown assailants. Suicides sprinkle every page: now that a girl may die with another woman's husband: now that a family may escape the hell of unemployment; now simply for weariness, because the whole effort of life has lost significance and crumbled into dust and ashes. The most

insistent noise which reverberates through their pages is the clicking of the huge machine of English justice, as couples once married in affection are torn apart, or a long procession of murderers, thieves, absconding solicitors, fraudulent company promoters, are swept away into the cold silence of the penal prison. The supply seems never to run short. The various Courts are in continuous sitting, and yet never overtake the work so bountifully provided. Itinerant justices are even compelled to journey round the countryside, arresting their courses at the principal towns, in order more speedily to deal with the continuous parade of brutality, outrage, and unnatural crime. Is it possible, one can imagine the future historian demanding, that any one could have been in those days altogether sane? as he pictures the decent wayfarer stealing furtively through labyrinthine ways lest ruffians should spring upon him in the dark, clutching his difficult savings for fear that they should be snatched from him; with the terror of poverty yawning before him, against which no prudence can guard, in cities visibly given up to the dominion of lust and greed.¹

If extracts from these papers were seasoned and served up with similar selections from socialistic literature and the speeches of some of our political leaders, an impression would be created which would be a ludicrous travesty of the truth of the case. Much of what was thus quoted might be more or less true, but to present it as a picture of the whole would be to grossly misrepresent and mislead. "Of ten thousand citizens, all but three or four will pass their lives unchronicled; and these three or four—a murderer, an adulterer, an adventurer, a saint—will come to stand alone as lives whose existence is recorded." But it is the position, condition, and lives of the others that really matter, and it is about them we must know if we are to form a judgment that will be of any value. It is extremely important that this should be borne in mind when we are reading the accounts of the times we are considering which are presented to us by writers whose view is obviously a very biased one.

¹ C. F. G. Masterman, M.P., *The Condition of England*, p. 13

CHAPTER II

A SOCIAL REVOLUTION WAS TAKING PLACE

CONDITIONS and difficulties are often attributed to enclosure which were really the result of the great social revolution which was taking place. Freedom was being substituted for servitude. With the benefits attaching to freedom there came the loss of the privileges and advantages which attached to servitude. It is always impossible to have both. Toynbee very truly says: "It is a great law of social development that the movement from slavery to freedom is also movement from security to insecurity of maintenance. There is a close connection between the growth of freedom and the growth of pauperism; it is scarcely too much to say that the latter is the price we pay for the former."¹ Servitude carries with it the right to maintenance. Freedom sacrificed that right. Referring to manumission, Dr. Stubbs says, "The native lost the privilege of maintenance which he could claim of his lord."

The manorial customs and the feudal system owed their existence and their rules, regulations, and practices to the economic and social conditions of the times, and when those conditions changed the systems which had been based on them and had grown out of them altered also. When the lord of the manor cultivated his demesne and supplied the requirements of his household, and upheld his authority, power, and possessions against attack and aggression by means of a body of retainers and tenants bound to him in serfdom and servitude, it was his interest as well as his duty, according to the custom of the times, to provide them with maintenance, which he did by allotting them land to cultivate, giving them rights of pasturage. It was his interest to have on his estate a sufficient body of capable, strong, and efficient peasantry, and the system of the manor was devised to provide and maintain them. When that

¹ *Industrial Revolution*, p. 76.

system decayed and free labour was substituted for bond labour, when wages were paid instead of land being allotted for services required and rendered, there was less necessity for the land-owner to retain a permanent staff of labourers. When he could engage and dismiss them at will, and pay them wages for the term they worked, his position towards them and theirs towards him, and what were deemed to be his duties and responsibilities towards them and theirs to him, were fundamentally altered. All the conditions of villenage—some hateful to the dependent, as the servile and burdensome incidents; some beneficial to him, as his share in the common fields, and his protection in his rights and privileges under the manorial court and customs—were based on the idea that he was to be retained and maintained as an instrument of agriculture at the disposal of the manorial authorities. As and when villenage ceased, all or much of this ceased with it. As the villein's freedom developed, the lord's responsibility to him and for him diminished. He and his lord were each thrown more and more upon their own resources. Their mutual relations became more and more commercial as they became less and less feudal.

The Change due to Economic Causes

In the course of the progress of the world and of the nation it was inevitable that the subsistence husbandry of the mediaeval village should disappear as commercial agriculture sprang up and took its place. The difference between the members of a village community who cultivated the common fields on the open system, and according to the rules and customs of the manor in order to provide subsistence for themselves; where the village was an isolated and self-supporting community which provided for itself within its own borders almost everything that it required; and the farmers who produced corn, meat, hides, and wool to sell to other communities of manufacturers and traders, and who consequently desired to have scope for the exercise of their individual skill, knowledge, enterprise, and business and farming ability,—the difference between these two kinds of cultivators and their methods and needs was enormous and far-reaching. It involved, it necessitated, it was an agrarian revolution, a revolution as great and as extensive in its effects and influence as the introduction of the steam-engine, the power-loom, and the spinning-jenny into the textile trades in the latter half of the eighteenth century. It was part of the great modern development of economic enter-

prise which individual effort, the exercise of individual discretion, and the reward of individual success rendered possible, and which in the course of centuries transformed the world, and our own land more than any other, from mediaevalism to modern commercialism, and civilisation, and progress, and all that is therein involved.

To talk of the change being due to enclosures is to misread and misunderstand the entire situation and the whole trend of events. Enclosure was an incident necessary and inevitable in the onward march of the nation. The old manorial system with its open fields was becoming as impossible and out-of-date as battle-axes, bows and arrows, and suits of armour. In the course of the change individuals, classes, and communities suffered, hardships were inflicted and sometimes wrongs were done. That is always the case under similar conditions. Every great step forward in material progress, every invention and discovery, every new process and material, every new departure, beneficial though they may all be to the community as a whole and the world at large, injures some. It appears to be inevitable, though all right-thinking people will wish that it were not so, and will desire that every effort should always be made to ease the transition and minimise the loss and trouble caused by it.

*There was a Distinct Movement amongst the Cultivators
themselves*

A characteristic of the period up to the fifteenth century was the multitude of small holdings and the rarity of large ones. In the village communities there was much rough equality of compact groups with more or less similar holdings held on similar conditions. But before the great enclosing period, as it is usually described, of the sixteenth century, and the great agrarian change which accompanied it, and which it is popularly thought to have caused, the old village community system was undergoing a visible reconstruction.

Quite apart from and a considerable time before there was any movement on the part of lords of the manor to evict tenants and consolidate their holdings into large farms, and quite independent of the great change that was brought about in village life in the sixteenth century by the movement which the lords and large farmers made in substituting tillage for pasture, a very great change had taken place amongst the tenants themselves in their relative positions and relationships. Mr. Tawney shows very clearly that the introduction of commercial relationships and cash transactions

in place of feudal and communal relationships and payments in kind and services had during the fifteenth century resulted in a great increase in financial inequality. The capable, industrious, thrifty, and enterprising extended their holdings as they became prosperous. They bought out others, consolidated the holdings, and cultivated the larger quantity of land, while some of them let the acquired holdings again to sub-tenants. In all directions the number of holdings diminished while the size of them increased. We have here the growth of the well-to-do prosperous tenant-farmer extending his business. This is not the lord evicting his tenants and adding their holdings to his demesne, and either retaining them himself or reletting them to a large farmer. These are transfers and movements of holdings amongst the tenants themselves, and show very plainly that, before the "enclosing movement" of the sixteenth century, of which so much is heard, economic forces had long been at work, and were having their inevitable effect in breaking up the uniformity of the old village community into large holders and small, and consequently creating a larger proportion of employers and employed amongst the tenants themselves.

A Process of Growth and Extension

This development of prosperous peasants had been going on for a long time. It was the result of and also resulted in not only the buying up of their neighbours' properties by the more successful ones, but also the bringing into use and occupying of adjoining land which had hitherto been waste, and also the selling or leasing by the lord of more and more of his demesne or customary plots. In the thirteenth and fourteenth centuries land changed hands pretty frequently amongst the various holders, and these changes afforded opportunities for the more prosperous amongst them, and those who had accumulated a little capital, to extend their holdings and their possessions, and prepare the way for a further improvement of their position.

The occupied and cultivated area was also continually increased by the taking in of parts of the waste land by tenants who obtained permission of the manorial authorities to do so. There was abundance of waste unused land available, and it was a gain to every one to have it taken in and cultivated. Indeed it was necessary for the growing population quite as much as to meet the requirements of pushing, enterprising, and prosperous cultivators who desired to extend their holdings. Instances are given where, between the

thirteenth and sixteenth centuries, the total area of the tenants' holdings in villages had doubled. The communities were simply going through the natural process of overflowing the old customary boundaries and gradually occupying the waste. It is a process which goes on rapidly in all new countries, and has gone on and must go on everywhere where there is land that will pay for cultivation, and there is a growing population and increasing prosperity.

The Black Death and the Statute of Labourers

The Great Plague in the middle of the fourteenth century accentuated, but did not cause, this movement. It accelerated an economic tendency which was already at work. The death of a large number of holders of land, and the poverty of many of the survivors, brought land into the market in far greater quantity than before. It was also cheaper, first, because there was much to sell, and, second, because the great reduction which had taken place in the population rendered it more costly than before to obtain labour to work it. This was two centuries before the great enclosures to which the break-up of the village community system is usually attributed. It was a time when landlords were seeking tenants, with the inevitable result that the tenants were able to get the best of the bargain. Later, when population increased, the position was reversed—tenants were seeking land, with the result that the landowner had the advantage. The root explanation in both cases was to be found in the working of the old inexorable law of supply and demand, from which we can never get far away in this and so many other of our social problems, no matter how we may try to dodge it.

In passing, it may not be altogether irrelevant to observe here that the Statute of Labourers of 1349 was not quite that instance of class legislation which it is commonly supposed to have been. It really was a piece of mediaeval socialism. In those days the view was that prices should be fixed by authority, not for the benefit of land-owners, but in the interest of all. It is true that this particular statute did regulate the wages of labourers, but it is generally overlooked, or not known, that it also regulated the prices of provisions and of almost everything that was sold in those days. Speaking of this phase, Mr. Philip Snowden, M.P., says: "The purpose of all the craft guilds, the legislation, the town administration of the Middle Ages, was to secure to each class of the community a comfortable standard of life fitted to their station. Historians and economists express different opinions as to the motive of the Eliza-

bethan statutes. Adam Smith writes of this legislation as part of a general system of oppression of the poor by the rich ; but later writers are more inclined to take the view that it was, both in motive and administration, an attempt to keep up a customary standard of living, and to ensure the workers a guaranteed rate of wages, a protection for their craft, and a safeguard against oppressive prices.”¹

Arthur Toynbee says : “ The Justices often ordained a rise in wages, and the workmen themselves were strongly in favour of this method of fixing them.”²

A New Problem which is now an Old One

When the mediaeval feudal system with its manorial communities broke down, and the churches, hospitals, and monasteries, together with the craft and religious guilds of the towns, were largely broken up and dispossessed of their landed property at the time of the Reformation, entirely new conditions were created and new problems commenced to present themselves. The individual ceased to be a member of a compact group, an integral part of the feudal system.

The whole status of the labouring classes was changed, and the problem came to be how to have a working class of free men, who should yet find it easy to obtain sustenance ; in other words, how to combine political and material freedom. That problem we still have with us. The substitution of hired wage labour for villein services and the building up of a considerable number of middle-class land-owners and larger farmers out of the villein tenants who were the bulk of the occupiers under the feudal and mediaeval régime, with the consequent shifting of the whole of the relationship of the community to a far more definite and distinct commercial, competitive, and cash basis than had ever existed before, involved a great change in the fundamental position and had far-reaching results—results which have frequently been attributed to other movements which were themselves also results and not, as is often supposed, original causes. Mr. Tawney remarks³ that these changes meant, on the whole, an upward movement ; an increase in the opportunities of the peasantry to improve their position by purchasing or leasing land on favourable terms ; and more freedom and greater scope for the enterprise of the capable and thrifty man who desired to make his way in the world. They meant that custom and authority and class distinctions based on tenure were weakened.

¹ *The Living Wage*, p. 11.

² Toynbee, p. 79.

³ P. 97.

They also meant that with the greater freedom came greater risk and responsibility.

Enclosures Necessary and Inevitable

When we consider what is termed "enclosing" in the sixteenth century we shall find that it was a different thing in different places, and that as it differed in character and consequences, so differing views were held about it. The peasants who followed Ket and others in their protests and risings were denouncing the turning of cornfields into sheepwalks and the demolition of cottages and homesteads in order to do it. When experienced surveyors and capable agriculturists extolled enclosure, they were usually thinking of the consolidation and enclosure and more scientific and more productive cultivation of the scattered strips in the open fields which were already under the plough.¹ The agitators did not object to enclosures by the smaller tenants. The local justices did not complain if no evictions took place. Then, with regard to the enclosures made by the Lords of Manors or large farmers, so long as they were confined to the lord's demesne there was little grumbling, but when they encroached upon the waste in connection with which the manorial tenants had common rights there was trouble and resentment.

As we have seen was the case with regard to pasture farming for sheep, so with regard to the consolidation and enclosure of the strips in the common fields, it began amongst the tenants themselves before, and continued while, the land-owners and others took similar steps on a larger scale.

At the very time when the peasantry agitated most bitterly they were often hedging and ditching their own little holdings and nibbling away fragments of the waste to be cultivated in severalty. . . . Enclosing by lords and large farmers was not so much a movement running counter to existing tendencies as a continuation on a larger scale, and with different results, of developments which in parts of England were already at work.²

Enclosure often desired by Tenants

Enclosure was also often undertaken by the lord at the request of his tenants. A vast amount of enclosure in the sixteenth century was in this way carried through by consent. More was done by individual tenants on their own account, in order, amongst other

¹ This was really a reallotment or rearrangement rather than enclosure as now generally understood.

² Tawney, p. 151.

reasons, that they might be free from the restrictions and regulations of the common fields as to cultivation and cropping, and also that they might protect themselves against the trespassing of the common cattle. Mr. Tawney gives numerous illustrations of this¹ and then says :

It is plain from these and similar instances that there was a well-defined movement from the fourteenth century onwards which made for the gradual modification or dissolution of the open-field system of cultivation, and that it originated not on the side of the lord or the great farmer but on the side of the peasants themselves, who tried to overcome the inconvenience of that system by a spontaneous process of reallocation, sometimes, but not always, in conjunction with actual enclosure.²

Sometimes, indeed, the small holders desired enclosure and the large farms opposed it, the explanation being that the larger men were able to put a large number of cattle on the common, and the poorer ones could not do so. As a contemporary chronicler put it : "The poore are not able to store yt with cattle, nor to use the commoditye as they might do if welth woulde serve them. But the rytche do consume their own parts and their neighbouris also : and that is the cause they will not consent to the enclosure and partition thereof." What injured the small tenants and caused the popular protests and revolts against enclosure was not enclosure as such, but enclosure which involved and included either evictions, or the conversion of arable to pasture, or the taking away of common rights or usages.

As sheep-farming and cattle breeding and feeding became more profitable, and therefore more and more adopted by agriculturists of all grades, great difficulties arose with regard to the commons. The demand for pasture, and especially for better pasture, grew enormously, and it became more and more difficult to keep the numbers within the regulation limit. The desire of each holder to have some pasture of his own became overwhelming, and agreements to enclose and encroach on the waste were as acceptable as they were common.

Wool Growing and Manufacturing

In the Middle Ages England was practically the only wool-producing country in Northern Europe, and had a monopoly of the supply of wool to Flanders, the seat of the woollen manufacturers

¹ Pp. 154-165.

² P. 165.

of the time. Gibbins points out that even at the worst periods of civil war our island was incomparably more peaceful than the countries of Western Europe. "From the thirteenth to seventeenth century the farmers of Western Europe could not possibly have kept sheep, the most defenceless and tender of domestic animals, amid the wars that were continually devastating their homesteads ; nor, as a matter of fact, did they do so." ¹

A feature of the fifteenth century was the development of industrial villages. This was largely due to the short-sighted, vexatious, restrictive regulations of the trade guilds in the towns which drove manufacturers into the villages in order to escape from them, and in many districts something like the modern factory system grew up in villages. It is from some of those village communities that the great manufacturing towns of to-day have sprung. The extent to which woollen manufacturing increased between the middle of the fourteenth and the middle of the sixteenth centuries is indicated by the figures which show the average annual export of English grey cloth, which rose as follows :

1354	.	.	.	4,774 pieces.
1509-1523	.	.	.	84,789 "
1524-1533	.	.	.	91,349 "
1534-1539	.	.	.	102,647 "
1540-1547	.	.	.	122,354 "

In 1554 the total manufacture was estimated at 160,000 pieces of cloth and 250,000 pieces of hosiery. This development in the textile trades, which for two centuries were the chief sources of the country's wealth, depended upon the production here of a plentiful and cheap supply of wool. Another reason why sheep-farming was developed and grain-growing became less profitable was that the policy of the Tudor monarchs was to discourage the export of corn. During the greater part of the fifteenth century the export of grain was free unless the price rose beyond a specified figure ; but in 1491 Henry VII. prohibited the export of grain, and this was repeated by Henry VIII. in 1512.

A further important influence was the depreciation of money and the corresponding enormous rise in prices. From a number of prices given by Mr. Tawney the following are extracted as illustrations :

¹ *Industrial History*, p. 48.

	Wheat.		Oats.		Oxen.		Sheep.	
	<i>s.</i>	<i>d.</i>	<i>s.</i>	<i>d.</i>	<i>s.</i>	<i>d.</i>	<i>s.</i>	<i>d.</i>
1451-1500	5	6 $\frac{1}{4}$	6	6 $\frac{3}{4}$	15	7 $\frac{1}{2}$	1	10 $\frac{1}{4}$
1501-1540	6	10 $\frac{1}{4}$	9	4 $\frac{3}{4}$	22	9	2	10 $\frac{1}{4}$
1541-1582	13	10 $\frac{1}{2}$	20	10 $\frac{3}{4}$	70	0 $\frac{1}{4}$	6	4

Such a change in prices was in itself a revolution and involved many readjustments of relationships. With expenses rising in this way, and everything costing more, it is not surprising that every one who could do so strove to improve his position by turning his land to the use that would yield the most income to him.

The Growth of Sheep-farming Natural and General

I have remarked that the popular idea that sheep-farming for wool production was an innovation introduced by the large land-owners in the sixteenth century requires much modification in view of the facts which recent research has brought to light. Mr. Tawney gives us particulars of six manors in the south of England on which there were 112 customary tenants who kept amongst them 7440 sheep and 793 other beasts. He points out that the agriculture of the small man was much more diversified during the fifteenth and sixteenth centuries than it had been two centuries before. For a long time the customary tenants had been graziers on a considerable scale and were much interested in the woollen trade. When the profitableness of sheep-farming led the lords of manors to resume possession of their lands and go in for it, there were evictions and rack-renting.

“But, looking at the fifteenth century as whole,” says Mr. Tawney, “may we not say with some confidence that the growth of the woollen industry must have brought increasing prosperity to many villages? Though it was not till almost the last decade that complaints of enclosing became sufficiently clamorous to attract the attention of the Government, the spread of woollen manufacturers into rural districts was going quietly on throughout the whole century, and benefited the peasants both by the lucrative bye-employment which they offered to both sexes, and by the alternative to arable farming which the demand for wool supplied in the shape of sheep-grazing.”¹ . . . “The large number of sheep kept by the customary tenants of many manors in the south of England, and the increase in the complaints owing to the over-stocking of commons, contained in the Court Rolls of the fifteenth century, show that they were not slow to seize the opportunity, and

¹ P. 114.

that the great pasture farms, which roused the indignation of More and Latimer, had their precedent in the small flocks of thirty or forty sheep which had long been run by the peasantry upon the common wastes or pastures. It would seem that, as so often happens, the new departure was first made on a small scale by small men, and that it was not until some time had elapsed that its wholesale adoption by large capitalists plunged them into distress. The movement towards pasture farming as a special branch of agriculture is one that proceeds gradually for a hundred years before the demand for wool becomes sufficient to produce the body of capitalist graziers whose interests come into sharp collision with those of the peasantry.”¹

The Alleged Substitution of Pasture for Arable

There has been much controversy as to the extent to which the enclosures of the sixteenth century were based on, and resulted in the substitution of pasture for arable cultivation. Very differing views have been propounded by such authorities as Mr Leadam and Professor Gay, who have investigated the available facts and statistical returns with great care. Two or three things are quite clear. One is, that there was not nearly such a diminution of arable cultivation as the outcry at the time and the statements of some writers since would lead us to suppose. The opening up of additional pasture land, which took place on a large scale, obviously very much increased the proportion which pasture bore to arable, but it did not necessarily involve an actual decrease in arable. Another thing is that the large farmers were by no means entirely sheep-farmers. The creation of large farms out of a number of small holdings often meant that the same method and proportion of cultivation was carried on as before. In fact, in many directions the ordinary customary tenants did far more in the way of abolishing arable cultivation and becoming graziers than the large farmers did. Statistics can be quoted to support both views. The explanation is that changes and conditions varied in different districts, and if the districts be selected, statistics to support any desired view can be obtained. The third thing is that the opinion of the time from the Government downwards,² was that there was not only a great development of grazing, but also much substitution of pasture for arable cultivation. In part this was caused by the fact that under

¹ P. 115.

² That there were during some 170 years seven Royal Commissions, a dozen Acts of Parliament, and a large number of Proclamations dealing with enclosure and depopulation of rural areas, shows very plainly that there was a substantial problem to be grappled with.

the earlier conditions, when each village community was virtually self-supporting and the cultivation was subsistence culture and the movement of food supplies was impossible, and, consequently, the specialisation of different localities in the kind of agriculture for which their soil and climate and market was most suited was never dreamed of, the amount of land under the plough, taking the country as a whole, was very large in proportion to the population, and much land was laid down as arable which was by no means well suited for that cultivation. As newer conditions developed under the stimulus of the growth of manufactures and commerce, the tendency was towards division of labour and more or less specialisation in industry, with the result that land which had been in tillage but was not suitable for it had to give way before the superior advantages of other land elsewhere.

Several distinct and powerful economic influences were at work. Together they shook the whole economic and social structure of the time to its foundations. Few of the better-educated observers and none of the peasantry and tenants really understood or even perceived these movements. They only saw some of the effects, with the result that they often arrived at superficial and very questionable conclusions, and advocated fallacious remedies.

Nevertheless, when there were no evictions, the mere fact that pasture took the place of tillage, or that tillage did not increase as the population did, often meant that, as the younger sons of the cottagers grew up, there was little or no work for them, and they had to seek it elsewhere; and some of them, no doubt, were led to join the ranks of the vagrants about whom so much is said in the histories of the time.

Enclosure Necessary and Inevitable

One result of the development of grazing amongst the customary tenants was that they desired more pasture than their share of the common rights supplied, and they made much fuller use of the share they had. Originally the manorial village community was based on tillage, and the right of the tenant to pasture on the waste was limited within conditions which depended on the amount of land he had under tillage. The arrangements of pasturage on the waste gave to each the right to graze no more than a specified number. When these tenants went in for grazing, and each multiplied his sheep and cattle manifold, trouble arose. The common was overstocked and the pasture was impoverished and almost destroyed.

Everybody wanted more pasture and found that he had really less. Under such conditions squabbles and quarrels, over-reaching and injustice, were certain to occur, and some revision of methods and conditions became absolutely necessary.

The "common field" system, with its customs of continual change and re-allocation, destroyed individual initiative and personal motive. With regard to cattle, common grazings were incompatible with that selection and isolation of the breeding stock which is essential to improvement, and for the exercise of the special skill and knowledge of individual owners. The block which common cultivation placed upon innovation and the exercise of individual discretion and judgment probably did more than anything else to check the growth of the spirit of free enterprise in, and keep at a low level, the economic condition of those districts where the common field system longest survived.

The open field system, and especially its peculiarity of straggling and scattered ownership, regarded from a modern agricultural point of view, was absurdly uneconomical. The waste of time in getting about from one part of a farm to another: the uselessness of one owner attempting to clean his own land when it could be sown with thistles from the seed blown from the neighbouring strips of a less careful and thrifty owner; the quarrelling about headlands and rights of way, or paths made without right; the constant encroachments of unscrupulous or overbearing holders upon the balks—all this made the system so inconvenient that Arthur Young, coming across it in France, could hardly keep his temper as he described with what perverse ingenuity it seemed to be contrived, as though purposely to make agriculture as awkward and uneconomical as possible.¹

The Twenty-seventh Annual Report of the Enclosure Commissioners said: "Of all modes of tenure in a fully-peopled country there is none more prejudicial to improved culture than holding in common." In an enclosure of common fields which took place as recently as 1898, one farmer had 13 acres in 30 parcels, another $1\frac{1}{2}$ acres in 5 parcels, another $2\frac{1}{2}$ acres in 9 parcels, others 80 acres in 164 parcels, and 166 acres in 217 parcels. Even then the doing of the obviously wise and necessary thing took six years of delicate negotiation.² At Wendover in Bucks one tenant in 1794 held 18 acres in 31 allotments. One farmer in Gloucestershire had one acre in 8 strips spread over a large area so that he had to walk 2 or 3 miles to visit the whole of his one acre. The cost of reaping and

¹ Seebohm, *The English Village Community*, p. 15.

² Castor and Ailesworth in Northamptonshire.

carting was ridiculous. "The hay lies in so many little parcels in balks and lodes and at such a distance that it costs near as much in gathering as it is worth."¹

Commons Uneconomical

The enclosure of waste lands—commons as much of them were called—was equally necessary and desirable. More food was needed, and consequently more land was required for cultivation as the population grew. Sir John Sinclair was of opinion that commons and waste lands were a very wasteful use of the land, and that to whatever purpose it was devoted incomparably better results would be obtained by such improved cultivation and proper regulation as were only possible under enclosure. Rearing cattle on common and waste meant stunted and starved animals. For lambs, colts, or calves grounds free from disease, and enclosures properly watered and sheltered, afforded better grass and reared the animals far more profitably than common overrun with heath, furze, fern, and brushwood.

In 1710, when half the stock of the country was fed on commons, as compared with 1795, when there had been much enclosure and feeding on cultivated pasture, the comparative average weight of the animals sold at Smithfield Market was :

	1710. lbs.	1795. lbs.
Beasts . . .	370	800
Calves . . .	50	148
Sheep . . .	28	80
Lambs . . .	18	50

The right of common to those who had it was often of little value. In the north of England, in the latter part of the eighteenth century, the right to pasture ten sheep for a year could be hired for 6d. As they would require 6 acres, that was equal to 1d. per acre. That meant that at 24 years' purchase the freehold value of the land was only 2s. an acre. In Wales, where the pasturage was better, 4d. per head was the charge for keeping sheep on the ground. In many parts of the country it was found that it did not pay to use the privilege. Sinclair said: "Let one man, having a right to do so for nothing, put a cow of any value upon the generality of commons any time in spring, and let another give a farmer 1s. 6d. a week for the keep of his cow in an enclosure, both being of the same value when first turned out: if both are

¹ *Vindication of a Regulated Enclosure*, by Rev. Jos. Lee (1656).

driven to market at Michaelmas, the difference of price will do more than repay the expense of the keep, without making any allowance for the additional quantity of milk which the cow kept in an enclosure must yield. In regard to sheep, if they are of a valuable sort, the profit of hiring land instead of putting them on a common for nothing is still greater. And the enormous losses sustained by that species of stock when the rot or any infectious disorder gets into a neglected flock can hardly be calculated."

Another authority said: "A cow turned on a common may get her own living for three months, which is as much as she will be able to do without some assistance from the garden, bran, etc., and such a cow, being obliged to be on foot all the day and perhaps at night too, gives but a very scanty meal when milked." In 1794 the Reporter to the Board of Agriculture, speaking of Berkshire, said: "We see on all the commons a number of miserable cattle, sheep, and horses which are a disgrace to their respective breeds, and the cause of many distempers." In Cambridgeshire, at Trumpington, out of a flock of 1950 sheep 900 had died in one year of the rot, and the remainder were sickly; in Croxton, 1000 out of 1400 sheep had perished. In Cottenham, 1815 out of 2600 sheep died; but adjoining parishes which had been enclosed and drained were free from the disease. "Experience teaches," says a writer in 1656, "that there are usually five rots (in sheep) in common fields, for one in enclosures," owing to the undrained condition of the land.

Other Influences and Considerations

From the fifteenth century to the middle of the sixteenth the dominant influence in enclosure was the growth of sheep-farming. After that, up to the end of the seventeenth, and into the early years of the eighteenth century, the marked feature was the enclosure of arable open land in order to permit of improved cultivation and the introduction of new crops—grasses, clover, and roots. In some cases land which, in the earlier period, had been turned into pasture was reconverted to tillage. The growth of towns and industries also developed dairy-farming. From 1750 onwards the growth of population and the increased demand for animal food which accompanied it, together with the improvements which took place in breeding and feeding as agricultural knowledge increased, combined to encourage the growth of pasture. At the same time the demand for grain also increased and the rising prices of the long war period stimulated arable culture, with the result that enclosure spread

and farming developed on both lines as the character of the soil and the nature of the demand in the immediate neighbourhood rendered it most convenient and profitable.

Another influence was the reclaiming of the fens and marshes. This brought into cultivation very large tracts of rich arable land which led to the less fertile land in those districts being turned into pasture. In early times "the incessant cropping of land unskilfully farmed, and varied only by wasteful fallowing, led in many places, and particularly on the less strong lands, to exhaustion. When this was accompanied by a great demand for wool, and a disturbance in the labour market due in part to the effect of the plagues and pestilences of the fourteenth, and to the civil discords of the fifteenth century, the partial abandonment of cultivated land to sheep, and even to a by no means careful system of sheep-farming, was initially profitable."¹

The Troubles of Commons and Waste

The advantage which small cultivators derived from the use of common land may be overestimated. In the struggles and controversies with their stronger or more aggressive neighbours they were often subject to much injustice in being crowded off the commons and prevented from exercising such rights as they had. Large farmers overstocked the commons and thus kept out the cattle of the poor. They also encroached on their rights when the labourers were too poor to maintain those rights by keeping their due number of cattle on the common. Commoners also encroached on the rights of each other. On the fells of Cumberland and Westmorland in the present day disputes are common, and free fights are not unknown. In many districts, again, difficulty arose through groups of jobbers who hired cottages to obtain common rights of pasture, and then turned so many cattle out that they ate up the whole produce.

Another trouble was that commons were often socially detrimental because they encouraged idleness and crime, and thereby promoted poverty and misery. The testimony of numerous writers spread over two or three centuries is very clear and emphatic on this point. Most commons were the rendezvous of highwaymen, and experience showed that an excessive proportion of the crime of the country originated amongst those who lived near commons. The

¹ Gonner, *Common Land and Inclosure*, p. 121.

allegation that they increased idleness, were an obstacle to industry, and caused poverty and wretchedness was general.¹

The following are some of the quotations from a number of contemporary writers in different parts of the country given by Prof. Gonner (*Common Land and Inclosure*, p. 361) :

Where wastes and commons are most extensive there I have perceived the cottages are most wretched and worthless, and accustomed to rely on a precarious and vagabond subsistence.

The poor are lessened by the commons being lessened.

Despite liberal rights of common there was much poverty and high poor rates at Sutton-Coldfield.

There were high poor rates at Chailey in Sussex "owing to plenty of commons which encouraged the poor to such idleness as to bring vast numbers to parish."

Another that in cheap times used to bask himself all day in the sun, holding a cow by a line to feed on a balk, in dear times betakes himself to the pickaxe and the spade.

An allotment stimulates to industry much better than a common right which leads to idleness.

In many cases summer pasture means winter stealing.

A cottage with a few acres of enclosed land gives the occupier a right to turn stock to these common hills. The profit of that stock is expected to supersede the necessity of labour, in cultivating the few acres which he possesses.

The Official Agricultural Reports frequently said that wastes and commons had "a bad effect on the poor."

¹ It is clear from the following extracts from the recent (1913) *Report* of a Select Committee of the House of Commons on Commons that some of the difficulties we have referred to continue at the present time :

In dry seasons numerous fires occur on commons. There is reason to believe that many of these have purposely been ignited by the smaller commoners with the object of preventing the growth of fir trees and other scrub, which, if allowed to spread over the common, would destroy the pasturage. Others have been caused accidentally or mischievously. But whatever the cause, enormous damage often results as it is nobody's business to guard against fires.

Gipsies or other nomads are a frequent cause of complaint. They are insanitary in their habits, spread disease, are found breaking fences for firewood, and are guilty of petty pilferings. They leave filth and rubbish on the common after their departure. Gipsies have no legal right to camp on a common; it is doubtful whether the owner has any legal right to give them permission to remain there, and there are often difficulties in removing them.

Refuse is often deposited on commons, and it is not the duty of any one to prevent this or to remove it if it becomes a nuisance to the neighbourhood.

On commons where the pasturage rights are very valuable your Committee have had evidence that disputes between commoners are frequent. They arise from the fact that some try to put on the common more stock than they are entitled to, that some put stock on the best part of the common and "dog" the others off, while others use the common who are alleged not to be entitled to common rights.

It appears clear that what should have been an additional source of income in kind and a valuable part of the coherent manorial agricultural system, when separated from this system, as it was as feudalism faded away, and freedom and independence with its risks and responsibilities took its place, sometimes became a source of difficulty and demoralisation, owing to its precarious nature and the temptation to idleness and loafing which it afforded. Nevertheless these common rights or privileges were a distinct advantage and assistance to a large number of honest and industrious poor, and sudden deprivation of them was an undoubted loss and hardship to all who had derived benefit from them.

Inevitable

The fundamental economic fact which it is futile to ignore was that the disappearance of the old open village was inevitable and the decay of subsistence agriculture unavoidable when sufficient commercial progress had been made to render improved agriculture profitable. For agricultural improvement and progress experiments and enterprise were necessary. These were impracticable unless and until cultivation was individualised. Theoretically it may be contended that this need not have been carried to the extent it has been, but as a matter of fact and experience it has proved to be so all the world over. When the benefits have been secured as the result of individual initiative, venture, and effort, it is easy to say that it could all have been accomplished by the communal and co-operative action of communities of small holders. This never has been the case. When the expansion of the woollen industry here, coupled with our great trade in wool on the Continent, showed clearly the direction in which profitable agriculture was to be found, subsistence farming was bound to give way before more commercial methods and the small man was certain to feel the pressure of the competition of the larger and wealthier farmer.

The wastefulness of the old régime, compared with the productivity of the new, may well seem too obvious to leave room for any discussion of their relative advantages; and indeed the accession of material wealth which followed the first feeble approach towards the methods of modern agriculture is unquestionable.¹

That this was not the disturbed peasants' view was very natural, and that his outcry about it should be loud and long was by no means surprising. Looking back over the past we may see, or

¹ Tawney, p. 409.

think we see, how things might have been managed better and much suffering might have been avoided. There is, however, in all this much "being wise after the event." Great advances, great changes, unquestionable improvements for the community as a whole, have often, if not indeed always, been accompanied by loss, disappointment, inconvenience and suffering to some. All will agree that it is desirable that this should be avoided, and that every effort should be made to avoid it, but no completely satisfactory method of doing that and still securing the overwhelmingly larger benefits of improvements and progress has yet been devised.

CHAPTER III

THE METHOD AND EFFECTS OF ENCLOSURE

THE practice of enclosure as the increase of population and the development of agriculture required it was a very ancient one. It "existed at common law from time of earliest memory and record."

By the Statute of Merton¹ (1236) parliamentary sanction was given to the enclosure of wastes by the lord of the manor, provided that sufficient pasture was left for the requirements of his freehold tenants. By the Statute of Westminster² (1285) enclosure was permitted against commoners who, without being freehold tenants, possessed pasture rights by a special grant. These statutes really only affirmed the common law.

Enclosures by Agreement and Act of Parliament

In early times rights of common were terminated in several ways. They could be extinguished by all the properties which had rights of common over a given area of waste coming into the possession of one individual by purchase or otherwise; or when the occupancy of a holding terminated, the owner could arrange another tenancy under which the rights of common no longer attached and the tenement or holding was let separately from, and independent of, them; or an agreement could be come to with, or amongst, those who had rights of common; or the right might be forfeited by disuse, or by breach of the conditions on which it rested.

Enclosure by agreement approved by the Court of Chancery, or on terms settled by Commissioners appointed by the Court on the application of parties interested, became more common as time passed. From the reign of Charles II. parliamentary sanction was required, and to obtain that, the land-owner, the tithe-owner,

¹ 20 Henry III. c. 4.

² 13 Edwd. I. c. 46.

and four-fifths of the commoners who had rights had to consent. The practice of enclosure by private Act of Parliament extended pretty rapidly throughout the whole of the eighteenth century. These acts were, for the most part, a development of the process of enclosure by agreement, and sometimes they were merely a recital and definite enactment of an agreement already arrived at. Usually, however, they provided for the appointment of Commissioners, who were to adjudicate upon the various interests and settle the disputes between the persons concerned, decide as to the hedging and ditching and making of roads and the apportionment of expenses. In course of time a number of standard clauses and general provisions grew up and were usually adopted or enforced by Parliament, and in 1801 a public Act was passed which embodied the principal conditions and arrangements which experience had shown to be necessary and desirable. This Act also provided machinery under which enclosures could be made without incurring all the exceedingly heavy expenses which were involved in obtaining private Acts. Thus the method of enclosure which, before the eighteenth century, had been largely a matter of voluntary assent or arbitrary action, and under which there had often been little uniformity or principle in the division of the land concerned, developed into a systematic procedure during that century, and at its close the procedure which had evolved was stereotyped in the Act of 1801.

Troublesome and Costly

Enclosure in the eighteenth century was neither easy nor cheap. The consent of a large majority of the persons having common rights, and of the lord of the manor and the person entitled to the tithes, was required. Any one of these classes could defeat the scheme. "The smaller commoners were reluctant to give up their lazy life, dependent on the cattle they reared on the common, for one of settled industry. The small freeholder, as his expenses of enclosure were proportionately greater than that of any other class, was not anxious to enclose. Those who lived near the common and enjoyed the full advantage of it, the "one in ten, who took ten times his share," naturally objected to a measure which placed them on an equality with more distant tenants."¹

The costs were heavy. Separate sets of fees had to be paid for every parish in which the land was. In one extreme case in the fens of Lincolnshire 47 parishes commoned on the fen and 47 sets

¹ Scrutton, p. 142.

of parliamentary fees had to be paid. Unopposed Acts cost many hundreds of pounds and the other costs were vastly more. The cost of enclosing a fen parish in Somerset was £2485, of which the cost of the Act was £500.

Arthur Young gives particulars of 23 enclosures in Lincolnshire, the result of which was to increase the rent obtained from £15,504 to £29,760. The cost of the enclosure was £48,217. There was also beyond this the cost of preparing and equipping the land for occupation and cultivation. In some cases the costs of enclosure alone were as much as £5 an acre. The enclosure of King's Sedgmoor, 12,000 acres, about 1798, was £59,000. Some one had to take the responsibility of that expense and be prepared to pay it if for any reason the scheme was not carried out.

When all concerned were agreed that enclosure was desirable, the one or two persons who were prepared to provide the money for the expenses naturally had a dominant voice in deciding the terms and conditions of the scheme. Still the consent of the majority of the interests concerned was required. The usual procedure was to call a public meeting of all concerned. If that meeting decided to proceed, a petition to Parliament for an Act was drawn up. Notices of the intended application were affixed for three Sundays to the church door in each parish affected. The draft was then prepared, and the signatures of those who consented had to be obtained. That this had all been done properly had to be proved by witnesses before the Committees of Parliament. The rules and standing orders of Parliament required that certain provisions and regulations which experience had shown to be necessary for the protection of all concerned, and especially of the small occupiers, should be inserted in the Bill.

When the Act was passed the appointed Commissioners commenced the real and important work. The rule was to hold a public meeting in the district and appoint a clerk, a surveyor, and a valuer. The nature and value of each of the existing holdings and interests was ascertained. Then an estimate was made of the benefit that would result from enclosure, and the problem before the Commissioners was to divide that advantage amongst the various parties concerned.

The first claim to be met was the general expenses and charges. They were heavy. There were not only all the parliamentary, legal, and professional costs—the costs of obtaining the Act and of administering it and adjusting the various claims. There were

roads to be made and land to be set aside for the purpose. There were drainage works and, in some cases, irrigation works to be undertaken. It was not unusual to allocate a gravel pit for road repairs : and it was usual either to provide a fund for the poor or to apportion some of the land to them as common. Next came an allotment or deduction for the rights of the lord of the manor and the tithe-owner. It was not uncommon for the tithe to be reckoned at one-seventh of the value of the land that was dealt with.

The distribution of what remained amongst the various persons interested was by no means a simple matter, and it would have been a miracle if it had not given rise to complaint from some one, whatever system of division had been adopted. "When the gravity and delicacy of the task undertaken by the Commissioners is considered," says Professor Gonner, "the existence of complaint against them is not astonishing. It is rather a matter for wonder that the complaints were not far louder and universal. Apart from the mere quantity and the situation of the respective allotments, the change entailed in the new arrangement of the fields and the consequent alteration of old customs must often have led to dissatisfaction. The Commissioners had, as it were, to lay out the village anew. In place of the old fields, cultivated in strips, and according to a common order, each man was allotted now a small or large several piece. The new inclosures were, as a rule, regular and compact, thus differing from the ancient inclosures. They lay, in the case of some, at a considerable distance from the little village of farm-houses, while others had the advantage of having their holdings conveniently near. Roads had to be made, hedging and ditching done ; while in some instances little or no increase in value could be perceived for many years. Some of the allotments might be unprofitably small. Some land as meadow highly valued before the inclosure might even undergo some diminution through having to contribute to the expenses. No doubt the individual proprietor was indemnified by a rise in the value of other land, but the absence of immediate and invariable advantage was enough to try his faith. That discontent was so small and satisfaction so general is the greatest testimony which can be adduced as to the advantage of the change." ¹

The Position of the Poor

Throughout the long period over which enclosures of one kind

¹ *Common Land and Inclosure*, p. 82.

or another were spread there was much interest taken in the effect which the enclosures had upon the poor, and the provision that was made for guarding their interests. Discussion of this phase was continuous, and considerable difference of opinion was expressed. That in many instances the poor suffered temporarily, if not permanently, when great changes were made in the industrial economy of the district in which they lived, and the industry in which they were engaged, is beyond question. It was probably largely inevitable; nevertheless, an impartial consideration of the whole position leaves the impression that in many instances more might with advantage have been done to avoid consequences which were not intended, and were not foreseen, but were inevitable. On the other hand, it should be pointed out that in a large number of cases special steps were taken to avoid the hardship which might result to the poor if strict legal rights alone were taken into account. It should be clearly understood that from the point of view of strict legal rights the poor had a weak case, and had little to expect when common lands were enclosed. On the other hand, custom and sufferance had enabled them to derive considerable advantage from the common lands, and the loss of these advantages would have been, and where it occurred was, a serious loss to them. Consequently, although there was little foothold for a claim as a matter of strict legality, there was a claim on the ground of individual consideration and of public policy, and this claim was widely recognised and more or less generally allowed, or if not allowed, insisted upon by the Courts or by Parliament. This phase of the question was always treated as deserving the serious consideration of the Crown, the Privy Council, or Parliament as the case might be.

The Disadvantage they were under

The poor were, of course, always at a disadvantage in presenting their case and claims; that was especially so as regards Parliament and proceedings in London, where it was practically impossible for them to be directly represented. Nevertheless, the Commissioners had great powers and great experience, and the wishes and instructions of the authorities in this respect were perfectly plain. Professor Gonner, after mentioning instances which indicate the desire of the Commissioners to act fairly, says: "The claims of the poor were very differently dealt with by different Commissioners, principles admitted in some cases being ignored in others. Still, taking the conduct of the inclosures and the awards as a whole,

there seems to be no ground for alleging a general partiality on behalf of any particular class. The work seems to have been honestly, if not always well, done, and to have been marked by a rough-and-ready fairness.”¹

After the Act of 1801 the procedure was simplified and made more uniform, but in broad principle it remained substantially the same, as it also did when Inclosure Commissioners were appointed under 8 & 9 Victoria, c. 118. That Act and previous and subsequent resolutions of the House of Commons recognised and enforced the desirability of allotments being made for public recreation and also for the labouring poor. At the same time it was often fully recognised in the debates that such allotments were based not on legal, but on what might be termed moral, rights.

The Results as a Whole

Summing up the whole position of the eighteenth-century enclosures, Professor Gonner, after the most painstaking and impartial investigation of the whole question which has been made, says that, so far as the work of division and allotment is concerned, there is little or no ground for any charge of unfairness. The influence of the large proprietors and of the lord of the manor no doubt determined the application for enclosure, and may have decided the nomination of the Commissioners, but the latter had to possess peculiar qualifications, as well as a reputation for experience and integrity, while there was ample opportunity for protest against any undue exercise of power.

In the latter part of the century, at any rate, the parliamentary requirements in the case of enclosure were exacting, and the procedure in committee seems to have been careful and well-considered. Direct allegations of general unfairness are rare. The most doubtful matter was the action of the Commissioners with regard to the claims of the neighbouring poor, that is, with regard to the recognition of claims which were not based on legal right. Some greater uniformity would have been desirable. Two things, however, must be borne in mind. Private agreements to enclose were equally free from a legal obligation to recognise them. In the second place, in a large number of awards these are given fair treatment, the Commissioners, in other words, being guided by equitable as distinct from purely legal considerations. Taken as a whole, the work of division and apportionment appears to have been discharged conscientiously and fairly.²

¹ *Common Land and Inclosure*, p. 76.

² *Ibid.* pp. 94-5.

Of course, the little local officials of the village court lost their posts when the common field system was abolished in any locality, and their complaints were likely to be loud and long. The viewers of the fields, the letters of the cattle, those who supervised the arrangements for cultivating the arable and pasturing the sheep and cows in the meadow, the common shepherd, the chimney peepers and the pinder who had charge of the pound, would all have a grievance and denounce the new arrangements.

One Misconception

The popular idea that when commons were enclosed the lord of the manor was allotted nearly the whole of the land, and that only a small portion went to those who had rights of common and other claims on it, is quite erroneous. The proportion usually allotted to the lord of the manor as his share of the surface rights was one-sixteenth; that is to say, out of every 16 acres he would get one acre and other people would get 15 acres.¹

Writing in 1878 and quoting a return made to the House of Commons in 1873, Sir John Caird said that since the Enclosure Act of 1845, 600,000 acres had been enclosed; the land was divided amongst 26,000 separate owners, in an average proportion of $44\frac{1}{2}$ acres to each lord of the manor, 24 acres to each common-right owner, and 35,450 acres were sold to 3500 purchasers to help to defray the expenses. The 620 lords of the manor received, on the average, about one-fifteenth of the acreage of the wastes. About one-eighth of the total land was devoted to public objects. That would mean that the public got twice as much of the land as the lords of the manor did, and the lords of the manor had to pay heavy costs and expenses for their share.

The Effect on Employment and Population

There has always been much discussion as to the effect of enclosure upon employment and population. The advocates of any view on the subject can cull quotations from contemporary writers in support of the contention they put forward. Partisan writers in our own time have selected and used such quotations with great freedom, with the result that some of them have created very misleading impressions. A hundred and fifty or two hundred years from now any writer who desired to do so would be able to collect from similar books, pamphlets, and papers an abundant and appar-

¹ See evidence before Committees on Inclosure 1844 and 1913.

ently imposing and convincing supply of misleading statements and statistics with respect to the condition of the people in these times, and the effect that progress and prosperity has had upon the various classes of the community.

A Painstaking Investigation

Professor Gonner has rendered a great service by submitting the numerous and very conflicting statements with regard to the effects of enclosure, which were made at the time and are often repeated now, to the test of a careful examination in the light of statistics and common sense. The evidence of many contemporary observers is clearly shown to be defective and unreliable. They obviously relied too much upon isolated instances within their own experience, and formed general conclusions on a very limited basis, often being misled by the substitution of pasture for certain arable cultivation, and taking little or no notice of other changes and compensating factors which were sometimes operating not very far away. Professor Gonner points out that while this was the case in the eighteenth century, "these defects are equally if not more important in earlier periods, when the range of observation was equally, if not more, restricted. In the seventeenth century in particular caution is required in accepting these statements. New land was coming into the cultivated area, with the result that change in the use of old land was necessary, and yet depopulation or lack of work, except in a very narrow sense, was no necessary consequence. New employment, in other words, might be afforded within reasonable reach."¹

After the early period of the fourteenth and fifteenth, and possibly the first half of the sixteenth century, when the population had been reduced by one-half by the Black Death in 1349, and when the great demand for wool for the Continent, and the century of unrest caused by the Wars of the Roses which followed, accentuated the economic position created by that disastrous visitation of pestilence, there is no substantial ground for the belief that arable cultivation was seriously and widely discouraged. Even where it was superseded by pasture in some districts the supply of meat and animal products was increased, and more land was brought under the plough elsewhere.

With regard to employment, speaking broadly, enclosure of land which had been uncultivated meant additional production

¹ *Common Land and Inclosure*, p. 446.

and additional employment. It did not mean that land previously cultivated was abandoned and allowed to revert to waste, but that it continued to be cultivated in some form or other together with the further land that was brought into use.

Enclosure of Waste would increase Employment

The mere enclosure of waste, moor, heath, marsh, and forest would not diminish employment. It would of itself increase it. With regard to the complaint made against enclosure in respect of employment, that common fields which had been arable were turned into pasture, it may be observed that, taking the country or even considerable districts of it as a whole, there was at least as much demand for grain as ever, and there is no evidence that in the total less was produced. If it was not grown in one place it was in another. Such decrease of employment as did take place appears to have been due to the saving of labour which resulted from the consolidation of the holdings, and the better results in the form of crops that were obtained from the same amount of labour, as the result of enclosure. The more business-like and economical working of the land which resulted from the mere consolidation of a number of scattered pieces into one compact holding, necessarily lessened the labour required in carting manure and produce and in other ways. This was a gain to the community as a whole, and such diminution of employment as was thus caused was not relatively great, and was fully compensated by the increased employment given in other directions. It was the disturbance and the change that was the trouble. It should also be remembered that while the change was taking place the process of enclosure gave a considerable amount of extra, though temporary, employment in hedging, ditching, and road-making.

During the latter part of the seventeenth century and throughout the eighteenth century, the growth of local industries and afterwards of manufacturing districts created a very considerable demand for meat and dairy produce which gave employment to agriculturists.

Professor Gonner shows by detailed investigation that the parishes where enclosure had taken place were frequently the most densely populated, and that "so far as the counties, or even large districts or portions of counties are concerned, there is really no evidence of depopulation." There was, in some districts, a movement from rural to urban areas. This was not due to enclosure, but

to the attractions, often specious, of nominally higher wages and the glamour which towns always have.

The Aim and Result of Legislation

In the preface to his book on *The English Peasantry and the Enclosure of Common Fields*, Dr. Slater says :

The policy of the legislature and of the Central Government, expressed in the Enclosure Acts of the eighteenth and nineteenth centuries, though it claimed, and on the whole rightly claimed, that it effected an immediate and great increase in the country's output of agricultural produce, and an improvement in the breeds of sheep and cattle, was nevertheless essentially a policy directed towards the enhancement of agricultural rents, the building up of large and compact landed estates, the establishment of capitalist farming, the uprooting of peasant proprietors and of small holdings, together with the communal use of land and the multiplication of the class of landless agricultural labourers.

This statement is apparently the result of confusing the methods and effects of enclosures with their causes and the intentions of those who legislated with regard to them. One result of the increase in the population of the country and the development of commerce and manufactures was undoubtedly to increase the demand for agricultural produce and therefore for land, and consequently to enhance rents. Improvements in agriculture and the transformation of farming into a business brought capital into the industry and tended to build up larger farms, while the buying of land by successful merchants, manufacturers, and bankers tended to the creation of large and compact estates. The high price obtainable for land and the decay of home industries as the result of the introduction of steam and improved machinery diminished the number of small cultivating land-owners. The "communal use of land" had been decaying for two or three centuries. To say that these movements were the aim and result of the policy of the legislature and the Government is as unreasonable as it would be to say that it was their object during last century to build up great towns, increase the value of town property, establish large capitalist business enterprises, introduce railways, telegraphs, and steamships, and to disturb and destroy many industries and throw many people temporarily or permanently out of work. The policy of the legislature and the Government, as clearly shown by its Acts and actions, was to recognise economic movements which were obviously inevitable and certain to be on the whole beneficial, and to attempt to

so guide and regulate them that the incidental effects should be as little injurious as possible. In the same way the expressed object of enclosure legislation was on the one hand to facilitate and regularise an unavoidable and on the whole beneficial change, and on the other to protect the interests of the smaller and poorer people who would be affected by it. It would be too much to say that Governments and legislators were always as successful in some parts of their policy as they or we should have liked them to be ; but that it was their policy is beyond question, and no impartial person can read the record of their Acts and administration without realising that this was so.

The Alleged Depopulation

The oft-repeated statements as to the results of enclosures in the eighteenth and nineteenth centuries being to cause depopulation cannot be sustained. There is no doubt that Dr. Cunningham's summing up of the case is correct :

Despite the reiterated allegation (by the opponents of enclosure), it is impossible to believe that enclosing in the eighteenth century implied either more pasture farming or less employment for labour. The prohibition of export kept down the price of wool ; the bounty on exportation gave direct encouragement to corn-growing ; the improved agriculture gave more employment to labour than the old.¹

Even Dr. Slater, who labours hard through many pages with numerous quotations from contemporary writers to maintain the opposite view, admits "the substantial accuracy"² of Dr. Cunningham's opinion, and only defends the statements as to depopulation on the ground that they only referred to the effect of the enclosure of arable common fields, and that they must only be considered with regard to the part of the country the person making them is familiar with, and his inferences with regard to other parts should be neglected. This is clearly a feeble defence. He tells us that "the opponents of enclosure of the sixteenth, seventeenth, and eighteenth centuries almost without exception opposed simply the enclosure of arable common fields ; they usually expressly approve the enclosure of waste, as increasing the means of subsistence of the people" ;³ but in his own book again and again he gives examples of cases in which the outcry and complaint was against the enclosure of waste, and other writers multiply these examples many-fold.

¹ *Growth of English Industry and Commerce*, vol. ii. p. 384.

² P. 92.

³ P. 92.

Professor Gonner distinctly says that the popular discontent and risings in the middle of the sixteenth century were not necessarily associated with the conversion of arable, and that they were probably just as much due to the enclosures of commons and the consequent loss of what the peasantry considered to be their common rights. Further, the allegation and complaint in the present day is not that arable land was converted into pasture, but that the waste, the commons, were enclosed and "filched" from the labouring poor and the people. Dr. Slater does not deny "that all kinds of enclosure proceeding over all parts of England and Wales, on the whole, tended to increase population, urban and rural." All he says is that this might be quite true, and yet it might "equally be right that the enclosure of arable fields in the 'champion' districts of England caused rural depopulation." I am not aware that this was denied. The bringing into cultivation of a vast amount of land which had been waste and the growth of towns and new industrial districts caused much readjustment in agriculture to meet the new conditions. In some districts arable cultivation increased, in others it diminished, and generally there was in addition a large increase in pasture. The result of enclosure was to materially increase the produce of arable land per acre, and that alone might reduce the total area under the plough.

Evidence to the Contrary

As a matter of fact, however, a Select Committee of the House of Commons in 1801 reported that in the districts which had been enclosed by private Acts between 1755 and 1800—embracing 1,767,651 acres—in place of the area under wheat being diminished, it had increased from 155,572 acres to 165,837 acres. The attitude of the critics of enclosure is aptly illustrated by Dr. Slater's comment on these figures: "But these figures include all sorts of enclosure." Of course they do: they would be worthless if they did not. He dwells on those which exclude the cases where waste only was enclosed. But why should those cases be excluded? What we want to know is—what was the result of enclosure as a whole? If there was a decrease of arable cultivation in one village and a larger increase of it in another, and a great addition to the pasture land enclosed in both, it is clear that on the whole there would be no depopulation, although there might be some shifting of the people from one district to another. A writer in the district which the people left might tell a tale of reduced population, but unless

he also saw the other districts where there was an increase in the number of the people his testimony is too partial and incomplete to be of any value, and the filling of pages with repetitions of similar accounts of similarly limited experience only indicates shifting of population without at all proving that the total number of people was reduced.

Between 1517 and 1636 special returns as to the extent of the enclosures and the displacement of people were made by seven Royal Commissioners. The particulars and statistics collected by them certainly do not sustain the allegations and charges that were made by some contemporary writers. Over a period of more than a century and a half—1455 to 1607—these agrarian changes only seem to have affected some $2\frac{1}{2}$ to 3 per cent of the whole area of the 24 counties most immediately concerned, and the number of persons displaced is variously put at from 30,000 to 50,000.

Mr. Howlett¹ compared the growth of population between 1760 and 1780 in 89 parishes which had been enclosed with 450 which had not been enclosed, and found that, taking the first and last five years, the births in the enclosed parishes increased 21 per cent, and in the unenclosed parishes only 9 per cent. In very many districts there was a distinct increase in population as the result of the eighteenth-century enclosures. In some there was a decrease and some were stationary.

Sir John Sinclair² considered that the idea that the enclosure and cultivation of waste lands tended to depopulate the country and diminish the number of cottagers was a delusion "as little justified by experience as it is evidently contrary to reason and common sense." He contended that it secured them a good market for their labour, provided constant employment and increased their wages. Instances were referred to in which population had been diminishing prior to enclosure and had largely increased after it.

Professor Gonner's Conclusions

Professor Gonner investigated the whole question of the alleged depopulation, and his marshalling of the facts is as clear as his conclusions are convincing. The following extracts indicate what his judgment upon the evidence is :

Speaking generally, the notion that the sole aim and result of enclosure during this period (the seventeenth century) was the con-

¹ *Advantages and Disadvantages of Inclosing* (1772).

² President of the Board of Agriculture at the end of the eighteenth century.

version of arable to pasture, must be abandoned. No doubt this took place in many cases. No doubt, too, that in the earliest stage of the movement conversion was an important, though possibly an exaggerated feature. But the description does not apply to the later sixteenth and seventeenth centuries as a whole.¹

Taking the (seventeenth) century as a whole the grave apprehensions expressed as to depopulation or diminution of arable were not fulfilled. In large measure inclosure was promoted in view of agricultural or even arable necessities. . . . The opportunities which were offering for skilful farming made some alteration imperative. Again, at the very close of the century there is the positive assertion that less land is devoted to stock than was recently the case.²

It is not too much to say that the advantages of inclosing wastes and commons are accepted as indubitable even by those whose judgment was not otherwise favourable to the new policy.³

From an early time the dangers of depopulation and popular distress had been the most cogent arguments against inclosure. They were treated as deserving serious consideration by the Crown, the Privy Council, or the Parliament as the case might be.⁴

As regards the eighteenth century, Professor Gonner is quite clear that "there is no doubt that the general statement that inclosure occasioned depopulation is incorrect." He tells us that "So far as the counties, or even large districts or portions of counties are concerned, there is really no evidence of depopulation."⁵

"No one of the tests employed to investigate the truth of the general allegation as to the effect of inclosure on population is, perhaps, absolutely conclusive; but taken together they form very strong evidence. In general they are mutually corroborative; and it is quite clear that a decline in population or occupation far less marked or widespread than that depicted by the adverse critics of the day, would have left definite traces in these statistics. Moreover, their strength is made the more apparent by the singular paucity of the testimony adduced on the other side."⁶

Confirmation from Dr. Slater

Dr. Slater admits that :

Those who had the requisite skill, knowledge, energy, and capital survived the crisis : they were able to take up the farms which their weaker neighbours were compelled to relinquish : to send, in almost every case, a larger surplus of food from the lands of parish, to maintain the state and power of England, and to pay higher rents. In perhaps the majority of cases they raised a larger gross produce, and provided maintenance and employment for a larger population than before. In some cases even (though these were rare exceptions) the labouring population gained in material prosperity as well as in numbers.⁷

¹ P. 186.

² P. 184.

³ P. 296.

⁴ P. 87.

⁵ P. 443.

⁶ P. 445.

⁷ P. 130.

Indeed such extracts from the body of his book as the following seem out of harmony with the conclusion which we have quoted from his preface :

While enclosure in a predominantly corn-growing district is associated with "depopulation," in a pastoral district it is associated with increased employment, increased local population, a larger production of food, and, on the whole, increased local prosperity. Thus, though there was a rebellion in Devon and Cornwall in 1549, the same year as Ket's rebellion, enclosure was not one of the complaints of the rebels. And this was not because enclosure had not begun in Devon and Cornwall, because, as a matter of fact, enclosure had advanced further in Devon and Cornwall than in most other counties.¹

Enclosure tended to assist urban industry, therefore, by an increased labour supply, an increased market, and, perhaps also, an increased supply of capital . . . we find increased population, increased production of all sorts of commodities, increased national resources for purposes of taxation and foreign war.²

Enclosure in the northern and western parts of England in the seventeenth and eighteenth centuries increased the area under tillage.³ Nor is there any period of the nineteenth century in which any serious rural depopulation as a result of enclosure, and consequent laying down in pasture, of common fields, could be asserted."⁴

The gross agricultural produce of the country as a whole was therefore increased by enclosure.⁵

The contentions of those who, like Dr. Price, denounced enclosures in the latter part of the eighteenth century, and asserted that the population was declining, were completely refuted and disposed of by the Census of 1801. Indisputable facts killed their elaborately constructed theories.

There was Disturbance and Distress, but it was exaggerated

On the other hand, there is the undoubted fact that widespread discontent and complaint prevailed with regard to the sixteenth-century enclosures, that vagrancy largely increased, and that many contemporary writers attributed the distress to enclosure and eviction. We have already said enough to indicate that there were other causes at work, and to suggest that these enclosures and consolidations were the almost inevitable outcome of other far-reaching and irresistible economic movements and social and commercial developments. One result of such shifting of the population as did take place, and one part of the evidence that such shifting took place, was the extent to which people from the enclosed

¹ P. 160.

² P. 266.

³ P. 104.

⁴ P. 93.

⁵ P. 266.

and consolidated villages found their way to the unenclosed villages, and squatted and colonised on the waste lands of their manors in numbers and in a way which made it difficult to keep them out. The result was that the Poor Law of 1597 expressly sanctioned the spending of local funds in erecting cottages on the waste for the impotent poor, from which arose bitter complaints that idle rogues and vagabonds were foisted upon the locality. It seems perfectly clear that there was much disturbance and irritation, and often distress; also that the accounts of contemporary pamphleteers and writers were very highly coloured and much exaggerated.

There is much evidence that some of the opposition to enclosure and of the disorder which was from time to time caused, was entirely opposed to the general advancement and well-being of the community, and was in fact very similar in character to the rioting and machine-breaking which has at various times in different industries been resorted to in some parts of the country when new machinery has been introduced. This was the case in connection with the drainage and enclosure of fen districts in Lincolnshire and Yorkshire, and the great fens in, and surrounded by, Lincolnshire, Cambridgeshire, and Norfolk. This area was largely reclaimed by the Romans, and was then a fertile area. It afterwards reverted to marsh again, owing to the incursions of the sea, which the people there seem to have been unable to prevent. The re-reclamation of this country was beneficent work, if there ever was any. In connection with the reclamation and drainage of the Isle of Axholm there was much rioting and disorder.

The Commoners led a kind of predatory life; fishing and shooting wild fowl, a lazy, lawless existence, almost in a state of nature. They kept a few geese, some sheep if well off, and perhaps a cow or a horse. They had freedom to range over a large tract of land which they had hitherto called their own; and any change which would compel a settled and laborious life appeared to them odious, and they opposed it with the vigour that an open-air career had given them.¹

They complained of the land allotted to them, and opposed the reclamation in every way. They cut the dykes, broke down the embankments and fences, and attacked the workmen and burnt their tools. When the morass of the Great Level of the Cambridgeshire Fens where some 36,000 acres were in winter a vast expanse of water, and in summer a dreary swamp growing nothing but a little coarse hay - was drained and enclosed by the Earl of Bedford

¹ Scrutton, *Commons and Common Fields*, p. 106.

and others at an enormous cost, which ruined most of those who went into the undertaking, the fen men were up in arms and destroyed the works. Well may Mr. Scrutton say: "Here, as in other instances, the enclosures of the fens, the most meritorious class of improvements is resisted by the least deserving class of Commoners."

Similar disturbances took place in the eighteenth century. When Holland Fen in Lincolnshire was enclosed in 1768 the fences were pulled down in the night, and the Commissioner was shot at, and there was much rioting and bloodshed. But Allen's county *History* says: "Many who had used every effort to oppose the enclosure lived afterwards to see their folly." An instance is given of one man with a doubtful character, who had made a scanty living by fishing and fowling. He rented land after the enclosure, and died worth £20,000, respected by all who knew him. In Somerset the enclosure of Brent Marsh and Sedgemoor Fen was so furiously opposed that for a long time it was suspended. Afterwards, the official reporter of the Board of Agriculture said with reference to it: "Scarcely a farmer can now be found who does not possess a considerable landed property, and many whose fathers lived in sloth and idleness on the precarious support of a few half-starved cows or limping geese, are now in affluence."

Difficulties and what was done to meet them

There is no doubt, however, that in some directions the poor suffered by the eighteenth and early nineteenth century enclosures, if they gained in others. Against the general improvement in cultivation and prosperity, and consequent increase of employment and population, had to be set loss of fuel, which without legal right they had been allowed to gather so long as the land remained waste, and loss of pasture for cows, which again without legal right had been permitted so long as the land was not otherwise used. In some cases, where rights attached to the cottages but not to the cottagers who rented them, the land allotted to the cottages on enclosure, of course, went to the owner. In other cases, where the occupiers of the cottages were the freeholders or copyholders their share of the expenses of the allotment scheme were more than they could pay, and they sold the land allotted to them.

When we proceed to consider what was done to meet this difficulty we must remember, first, that in the earlier days of enclosure there was still much open land left, and some of this was usually

accessible. The difficulty increased as time went on and enclosure and cultivation spread, so that the population increased and the accessible open land diminished. Accordingly, we find in the enclosure schemes and in contemporary records that in the later periods more attention was paid to this phase, and the claims of the cottagers were carefully considered. The second point is that a distinction existed and was always drawn between those cottagers whose cottages had common rights attached to them and those whose cottages had no such rights, but who had used the commons, by sufferance and not by legal right, possibly quite as much as those who had a recognised right to do so.

Common right cottages received definite and separate allotments. Other cottagers who had no definite legal rights did not receive separate allotments. Whatever was done for them was done for them as a class, and not as individuals, and done as of grace. Again, we must discriminate amongst the occupiers of common right cottages. First, there were those who owned the cottages they occupied. They got an allotment; but it was sometimes too small to be of any value to them; or the expense of fencing, etc. was too great. In such cases, as we have already remarked, they would often sell their holding or their allotment to an adjoining owner. Then there was the occupier of the common right cottage who was not the owner. When the allotment was made it was made to the owner and not to the occupier, as the right of common attached to the property and not to the occupier. As the owner had to bear his share of the cost and the enclosure—legal, parliamentary, roads, fencing, etc.—he either required an additional rent in respect of the allotment, or he separated it from the original holding and consolidated it with some of his other land.

So far as the occupiers of cottages to which no common rights attached were concerned, their claims were ultra-legal, and were consequently differently treated. They were claims not of right, but for privileges which had been permitted by the owners of the right to common. In the later years of enclosure these claims were given more and more consideration, and the general custom was to settle them by setting aside some money or land for the use of the neighbouring poor. On the whole, there is no doubt that this class suffered loss through being deprived of the extra legal privileges which they had enjoyed by sufferance. The extent to which they were compensated by the general improvement in agriculture and employment which resulted from the enclosures is a disputed point,

but the number and persistence of the complaints in the eighteenth century and the attention that is given to them in the literature of the period, make it clear that the change which enclosure involved was a great disturbance, which inflicted a considerable amount of suffering and loss upon many of the poor in the districts concerned. A more generous allotment of land to them, even though they had no legal claim, would have been good policy in every way. Where it was done, and in many cases it was, the results were most satisfactory to every one concerned.

CHAPTER IV

SOME ECONOMIC FACTORS AND THEIR EFFECTS

ANOTHER movement of the eighteenth century and the early parts of the nineteenth was the reduction in number of yeoman farmers and small holders—a most valuable element in the nation. It was the small freeholders who were the backbone of the Parliamentary forces which defeated Charles I. and rendered the Commonwealth possible. It was they who enabled Fairfax and Cromwell to break the power of the King and the country nobles and gentry in the Civil War.

The Decrease in Yeoman Land-owners

Yeoman farmers were numerous and fairly prosperous up to the Revolution of 1688 and into the early part of the next century ; but during the next hundred years they diminished in number and gradually disappeared. The causes were economic and social. The expenses attending enclosure induced many to sell. Then agriculture was improving rapidly, and more capital was required to cultivate the land satisfactorily than had formerly been the case. The result was that the small owner found it increasingly difficult to hold his own.

The most potent cause of the disappearance of the yeoman landholders was that trade and manufactures were developing rapidly. A new wealthy class was created. Successful merchants and manufacturers bought land, obtained titles, and founded families. The greater part of our nobility have sprung from these sources during the last 200 years.

James Lowther, created Earl of Lonsdale in 1784, was great-grandson of a Turkey merchant. The ancestor of the Barings was a clothier in Devonshire : Anthony Petty, father of Sir W. Petty, and the ancestor on the female side of the Petty Fitzmaurices, was a clothier at Romsay in Hampshire : Sir Josiah Child's son became Earl of Tilney.

The landowners in the West of England "who now," in Defoe's words, "carry their heads so high," made their fortunes in the clothing trade. And not only did a new race of landowners thus spring up, but the old families enriched themselves, and so were enabled to buy more land by intermarriage with the commercial magnates. The Fitzmaurices, for instance, inherited the wealth of the Petty's: Child's daughter married the Marquis of Worcester, and, by a second marriage, Lord Grenville of Potheridge: Lord Conway and Walpole married daughters of John Shorter, merchant of London. . . . Contrast this fusion of classes with the French society of the last century, with its impoverished nobility, living often on the seigniorial rights and rent charges of their alienated estates, but hardly ever intermarrying with the commercial classes: or to Prussia, where the two classes remained entirely separate, and could not even purchase one another's land.¹

Wealthy buyers acquired land at prices which the small freeholders were glad to accept.² The whole movement of the times was unfavourable to them, and disposed them to sell. Their lands were arable and small arable lands would not pay, and were bound to be combined in larger holdings. According to Arthur Young, the little farmers worked harder and were to all intents and purposes as low in the comforts of life as the day labourers. Nor were they superior to them in knowledge and capacity; but the new class of larger farmers were in advance of them in enterprise and understanding. They were indeed "quite a different sort of men . . . in point of knowledge and ideas"; and with their improved methods and agriculture the yeomen found it difficult to compete.

The Advance and Changes in Manufacturing

Another difficulty which overtook them was the gradual destruction of domestic industries as the result of the introduction of machinery, the use of water power, the invention of the steam-engine, and the growth of the factory system. A further phase of this change was the movement of manufacturers and population to other

¹ Toynbee, *The Industrial Revolution*, p. 40.

² "Why did the small freeholder disappear? Because five times during the war with Napoleon wheat was worth more than 100s. a quarter. Then land was worth forty-two times its rent, and there were people in the cities willing to pay that price for land because of the special relation of land then to political influence. The great capitalists who were making money in the towns wanted land and the political influence it carried with it."—Professor Armstrong.

"What has caused the extreme concentration of land ownership in England is not so much the conversion of the feudal tenures into fee simple, the spoliation of the religious houses, and the enclosure of the commons, as this effect of the rise in the value of the land. The small estates, of which there were many in England two centuries, and even a century ago, have become parts of large estates mainly by purchase."—Henry George, *Social Problems*, p. 219.

localities, with the result that with the decay of the small towns they lost their market, and the means of communication were still too defective to enable them to send their produce farther afield. Lastly, the developing prosperity of the larger towns and manufacturing districts, and the rising standard of comfort, tempted the more capable and enterprising of them to realise their property and move off to the growing centres where there were better openings for them and their families. The enclosure of waste lands, and the consequent alteration in the position of the small freeholders, also made their position more difficult.¹

The changes made by the industrial revolution of the last thirty years of the eighteenth century, due to the invention of machinery and the steam engine, were enormous, and they were brought about so suddenly and quickly that the disturbance of their existing conditions was nothing less than a social and economic upheaval. Kaye invented the fly-shuttle in 1750; Hargreaves patented the spinning-jenny in 1770; Arkwright successfully established a mill at Cromford with his spinning machine in 1771; Crompton invented the mule in 1779; Cartwright patented the power-loom in 1785; Watt took out his first patent for his steam engine in 1769, and it was erected in factories in 1775. At the same time similar advances were made in the coal and iron industries. The combination of these inventions abolished home spinning and weaving which had been so largely carried on in agricultural districts as a "supplementary industry to the cultivation of the soil." The revolution made England what she is to-day, gave her fifty years' start of other European countries in the race for commercial supremacy, and increased her wealth and population enormously; but at the same time it transferred important industries from the homes of the people in agricultural districts, and thereby deprived them of a valuable source of addition to their income. William Cobbett writing in 1826 said:

The villages down this valley of Avon, and indeed it was the same in almost every part of this country, and in the North and West of Hampshire also, used to have great employment for the women and children in the carding and spinning of wool for the making of broad-cloth. This was a very general employment for the women and girls, but it is now wholly gone.²

¹ Toynbee, *The Industrial Revolution*, pp. 43, 44.

² *Rural Rides*, p. 385.

The Improvements in Agriculture

The changes in agriculture which took place during the period 1700–1815 were great and far-reaching. Unquestionably they were an enormous advance. They meant the substitution of some approach to scientific for altogether unscientific culture. “It has been found,” said Laurence in 1727, in his *Duty of a Steward*, “by long experience, that common or open fields are great hindrances to the public good and to the honest improvement which every one might make of his own.”

“The productiveness of agriculture in the eighteenth century,” says Thorold Rogers, “was, it is plain, when land was properly cultivated, four times that of the thirteenth, both as regards corn and stock. The weight of the fatted ox was raised at least threefold. A similar but not so extensive an increase had taken place in sheep, while the weight of the fleece had become fully four times above the average of the earlier period.”¹

“Enclosures,” says Arnold Toynbee, “brought an extension of arable cultivation and the tillage of inferior soils; and in small farms of forty to one hundred acres, where the land was exhausted by repeated corn crops, the farm buildings of clay and mud walls and three-fourths of the estate often saturated with water, consolidation into farms of 100 to 500 acres meant rotation of crops, leases of nineteen years and good farm buildings. The period was one of great agricultural advance; the breed of cattle was improved, rotation of crops was generally introduced, the steam plough was invented, agricultural societies were instituted. . . . It was said in 1813 that during the previous ten years agricultural produce had increased by one-fourth, and this was an increase upon a great increase in the preceding generation.”²

High Prices and Rents during the French War, and the Fall afterwards

The real trouble of the time was the high prices which prevailed during the French War. This increased the cost of living greatly and made the lot of the poor hard. On the other hand, it was one of the causes that stimulated enterprise and the extension of cultivation and the consequent increased employment of labour. Had it not been for the enclosures and the improved farming which they rendered possible, there would have been much less employment in agricultural districts, the supply of food would have been very deficient, and prices would have been higher even than they

¹ *Six Centuries*, p. 477.

² *The Industrial Revolution*, p. 68.

were, with the result that the position of the poor would have been much worse than it was.

One great cause of the trouble and depression which followed the close of the great French War was the great rise in farm rents, which the improvements made in the properties and the high prices obtainable for agricultural products during the war had rendered possible. For a hundred years after the Revolution of 1688 agricultural rents were on the whole fairly stationary,¹ but Porter tells us that between 1790 and 1833 they were doubled.² In some cases the increases in rent were far greater than this. Much of the increase was due to the capital which had been spent in improvements after the enclosures. The first Lord Leicester was said to have expended £400,000 in improving his estate. When wealthy merchants and manufacturers bought up land and formed estates they spent money freely in improvements and developments. When the price of corn fell after the war—in spite of the Corn Laws which were passed to keep it up—there was serious trouble and difficulty. The old rents could not be paid, and much of the outlay which had been made on agricultural estates became unremunerative. Everybody suffered severely. It was one of the results of the prolonged and costly war and the conditions which it created while it lasted. The Poor Law allowance system which was abolished in 1834 also had disastrous effects, and accentuated the trouble of difficult times by lowering wages, demoralising the people, and encouraging the poorest to beget large families which they could not maintain.

In 1782 the price of corn was 53s. 9d. per quarter, and that was a high figure compared with the prices of the previous fifty years. From 1795 to 1805 the average price was 81s. 2d., and from 1805 to 1815 it was 97s. 6d. In 1800 and 1801 the maximum price reached was 127s. and 128s. 6d. In 1812 the average price was 126s. 6d. ; in 1814 it was 74s. 4d. ; in 1821, 56s. 1d. ; and in 1822 it fell to 44s. 7d.

The reaction from the heavy expenditure and high prices and high rents of the war period, and a series of disastrous harvests, together with Europe impoverished, combined to cause a period of unexampled depression and distress. Agricultural and manufacturing districts alike were impoverished, and a whole generation came and went after the close of the French War in 1815 before anything like recovery from one of the most trying periods in British history began to make itself felt.

¹ Eden, vol. ii. p. 292.

² *Progress of the Nation*, pp. 151, 165.

From the Fifteenth to Nineteenth Century

A great change took place in the condition of the country and its people between the fifteenth and nineteenth centuries, and especially in the eighteenth century. At the time of the Domesday survey the population was chiefly in the southern and eastern counties. The north of England, especially Yorkshire, had been laid waste by William I. after the revolt of 1068. For half a century the land "lay bare of cultivation and men" for sixty miles north of York, and for centuries it did not recover from this devastation. Domesday Book records district after district and manor after manor in Yorkshire as waste. Till the seventeenth century Lancashire and the West Riding of Yorkshire were the poorest counties in England.

Writing of the condition of things in the twelfth and thirteenth centuries, Rogers¹ says :

The houses of the villagers were mean and dirty. Brick-making was a lost art, stone was found only in a few places, and though cheap enough, was certainly not generally employed, even where it was plentiful and within reach. The better class of yeomen had timber houses—built on a frame, the space being either lathed and plastered within and without, or filled with clay kneaded up with chopped straw. The floor was the bare earth, though it was sometimes pitched with split flints. The sleeping apartments under the thatched roof were reached by a ladder or rude staircase. . . . The wood fire was on a hob of clay. Chimneys were unknown, except in castles and manor houses, and the smoke escaped through the door or whatever other aperture it could reach. Artificial light was too costly for common use.

The floor of the homestead was filthy enough, but the surroundings were filthier still. Close by the door stood the mixen, a collection of every abomination.

The house of the peasant cottager was ruder still. Most of them were probably built of posts wattled and plastered with clay or mud, with an upper story of poles, reached by a ladder.

Roads in the Stuart Period

Macaulay tells us that in the time of Charles II. only half the country was arable or pasture, the remainder was moor, forest and fen. Thousands of square miles were marsh, forest and heath, and were of so little value that much of it which was not common in law was allowed by its owners to be used as common. Squatters and trespassers were tolerated to an extent that would now be undreamt of. The roads of the country passed mainly over or by

¹ *Six Centuries*, p. 67.

woods, heath, swamp or warren, and unenclosed country. There was scarcely a hedgerow to be seen. Great areas were as bare as Salisbury Plain. John Ogilby, Cosmographer Royal, describing a tour through England, says that in the fifty miles from Abingdon to Gloucester there was not a single enclosure, and scarcely one between Biggleswade and Lincoln. Red deer and wild bulls were found in the forests of the south and west. Wild cats, eagles, bustards, and cranes were common in certain parts. The last wild boars were killed during the civil war. "On the best roads the ruts were deep, the descents precipitous, and the way often such as it was hardly possible to distinguish in the dusk from the unenclosed heath and fen which lay on both sides." Often the whole width of the road was not available for vehicles. The mud lay deep right and left, and there was only a narrow track of firm ground above the quagmire. Obstructions and quarrels and great delays were common because the drivers of conveyances would not give way to allow others to pass lest they should stick fast in the slough, as many did.

In 1685 a viceroy of Ireland was five hours in travelling fourteen miles in Wales. At another he had to walk a great part of the way, and his wife was carried in a litter. Markets were often inaccessible for months, and produce rotted while there was scarcity a few miles away. In Kent and Sussex only the strongest horses could get through the bog in winter. When Prince George of Denmark went to Petworth in wet weather he was six hours in going nine miles. Several of the carriages of his retinue were upset and damaged. Most of the conveyances in that district were pulled by oxen. The cost of carrying goods by stage waggons was from London to Birmingham £7 a ton, from London to Exeter £12 a ton. On by-roads, and north of York and west of Exeter, goods were carried by long trains of pack-horses. Highwaymen were common.

Nearly Half the Country Waste Two Hundred Years Ago

Two hundred years ago the condition of the northern counties was desolate. Cultivation—certainly in Yorkshire—was very primitive and defective. Gregory King estimated that in England and Wales in the first half of the eighteenth century 11,000,000 acres were arable; 10,000,000 acres pasture and meadow; 1,000,000 acres houses, gardens, and orchards, or only three-fifths of the whole country. A land agent thought that one-half the country was waste in 1727.

Defoe, in his *Tour through the Whole Island* (1725), said the country south of the Trent was by far the largest as well as the richest and most populous. In 1700 the population of the six northern counties was less than one-fifth of that of all England. The counties in which the great enclosures of the sixteenth century had taken place were the wealthiest and most prosperous. They were by far the best cultivated.

The common fields had the best soil in the country, but they were extremely badly cultivated. Arthur Young in his *Southern Tour* (1772) said: "Never were more miserable crops seen than all the spring ones in the common fields: absolutely beneath contempt."¹

Wages and Conditions in the Eighteenth Century

It was stated that in 1737 the day labourers "by their large wages and cheapness of all necessaries enjoyed better dwellings, diet, and apparel in England than the husbandmen or farmers did in other countries."² Writing in 1796, Eden said that at no time since the time of Elizabeth could the labouring classes acquire such a portion of the necessaries and conveniences of life by a day's work as they could before the late unparalleled advance in the price of the necessaries of life.³

Toynbee says that on the whole the agricultural labourer, at any rate in the south of England, was much better off in the middle of the eighteenth century than his descendants were in the middle of the nineteenth.⁴ In the north of England the position was different; indeed it may be roughly said that the relative positions of the labourer north and south of the Trent had been exactly reversed in the course of a century.⁵ This was mainly due to the decay of manufacturing and home industries in the south and the extraordinary growth of the great manufacturing and mining districts in the north, which entirely transformed the conditions in the matter of the demand for labour.

One reason why agricultural labourers' wages did not rise more with the prosperity of agriculture between 1750 and 1830 was that in the old days the younger labourers were single men and boarded in the farmhouses. They could not marry until there was a cottage vacant, and cottages were limited in number by the land-

¹ P. 384.

² *State of Great Britain* (1737), p. 177.

³ *State of the Poor*, vol. i. p. 478.

⁴ *The Industrial Revolution*, p. 47

⁵ *Ibid.*, p. 47.

owners and farmers in order to keep down the rates. But when the farmers were prosperous for two or three generations and they rose in social position, they refused to board their labourers in their houses. Then the labourers, encouraged by the terribly mistaken Poor Law allowance system, married recklessly, overcrowded the cottages, and overstocked the rural labour market.¹

Although the labourers lost in some respects by the enclosure of the waste land and commons during the eighteenth century, they gained in others, and their wages and general position improved until the great wars of the latter part of the eighteenth and the early years of the nineteenth centuries sent up prices and the cost of living to such figures that the increase in their wages was more than counterbalanced.

Conclusion

That enclosure was a necessity is beyond question. Without it, efficient, progressive, scientific farming was impossible. It is equally obvious and certain that it was inevitable that a great and widespread change affecting the cultivation of the land, the industry on which the vast majority of the people depended for their livelihood, must be attended by inconvenience, loss, and even suffering, and therefore by discontent and complaint on the part of particular classes. It is the general experience in all cases where new and better systems and methods supersede old ones, to the great advantage of the community as a whole, that the change involves hardship and loss to some, and especially to those whose capacity, age, and financial position do not enable them to adapt themselves to the new conditions imposed by the new methods, or to transfer themselves to other districts or employments. What is desirable is that when these beneficial and inevitable changes take place, the burden and suffering which are caused to individuals and classes should be reduced to the minimum. Unfortunately this has seldom been done. In the past, as now, things were left very largely to work themselves out. The result was that, as in the case of the introduction of railways, the old coaching industry and the inns, smiths, stablemen, and others suffered severely, and as in the case of the introduction of steam and the power-loom and the spinning-jenny into the weaving industries, the hand-loom weavers and other home workers were thrown out of employment, and we had riots and the breaking of machinery, so in the case of

¹ Toynbee, p. 91.

the enclosure of land for cultivation and the change from the common field system to the modern farm, disturbance and loss and consequent complaint from time to time ensued.

The minute investigation to which the proceedings in connection with enclosures extending over several centuries have been subjected recently by painstaking inquirers has not, however, disclosed any evidence of anything savouring of widespread fraud or intentional injustice. Nor is there anything that would justify a suggestion that the legal rights of any individuals or class were systematically or deliberately violated or ignored. That there was discontent and complaint is beyond question. Our knowledge of human nature would lead us to say that under the circumstances and conditions which had prevailed and then existed it was inevitable that this should be ; as it would also prepare us to expect that there would be some persons who would endeavour to overreach their fellows, and so far as there was opportunity for so doing they would succeed. It is perfectly clear, however, that it was not the intention of the legal and legislative authorities of the time that this should be, and from time to time steps were taken, the object of which was to ensure that equity should be respected and justice done. Misconceptions prevailed then, as now, as to what the legal rights and powers of the various persons concerned were, and many claims, allegations, and complaints then made, and which are the foundation on which some popular opinions now held are based, have been proved to be the outcome of misapprehensions as to the law and the facts. In the light of subsequent events it appears clear that the methods and results might have been improved. Of what that has ever been done by any people at any time, not excepting ourselves in our own time, may not this be said ?

PART VI
SOME DIFFICULTIES AND THEORIES
IN THE
EVOLUTION OF TAXATION, AND LOCAL RATES

CHAPTER I

THE POLICY AND DIFFICULTIES OF MEDIÆVAL TAXATION

UP to comparatively modern times—say until the Commonwealth—the greater part of the taxation of this country was levied locally—not according to statutory enactment, but according to local custom. In the arrangements that were adopted and the changes that were from time to time made, there is no evidence of any intention to specially tax land to an exceptional extent. The object generally aimed at was to tax persons according to their possessions and means, that is to say, according to their ability to pay. The ease with which some methods of taxation could be administered and the difficulties which attended the assessment and collection of other taxes inevitably led taxing authorities to take the line of least resistance; but throughout it all the aim was to devise methods of levying taxes on persons according to their taxable capacity, in ways that would be as equitable as was practicable. In the main, when particular kinds of property or special commodities were taxed, it was because they were considered to be representative of the wealth and means of those who owned or used them.

Little is known of the system of taxation, so far as there was any, in Saxon times. The kings derived their revenue in ordinary times from the royal demesne and the public lands which had belonged to the kingdoms of the heptarchy, and were largely consolidated into the demesne of the king of the whole country when the heptarchy disappeared. There were fines and fees, and in times of special peril an exceptional levy—"shipgeld"—would be made; and for that levy the shire was the unit of rating. "Danegeld" was a similar levy imposed later at a specified rate per hide of land. There was also a hearth tax.

No new form of taxation resulted immediately from the Norman Conquest. The king continued to derive his revenue mainly from the demesne, while the feudal system became gradually established.

The danegeld was revived in 1084 and afterwards made annual ; but it did not last long. It ceased to be settled revenue in 1156 and disappeared altogether in 1163.

An attempt was made to establish a similar tax in the " carucage," which was levied on ploughed land. It commenced in 1194, but it was so unpopular and inequitable (because it touched only a limited class), and difficult to assess, that it ceased in 1224.

Taxes in Respect of Land

These taxes in respect of land, rather than on land, were intended to be general taxes according to wealth and ability to pay. Practically the wealth of the country in those days was in land and agriculture, and the simplest way of levying a general property or income tax was to levy it according to the quantity of land a man owned or occupied. As a large part of the arable and pasture land was held by small people—under the common field system—a tax on land was practically a tax on everybody and not a tax on a limited class as it now would be.

As time went on and the country progressed, two difficulties arose with regard to this method of taxation and led to its abandonment. First, the difficulty of assessment was great. The survey of the Domesday Book was made at great trouble and cost. It was a serious undertaking and one which could not be readily repeated. But a survey or valuation for taxation purposes soon becomes useless unless it is repeated periodically and kept up to date. That was more than could conveniently be done. Second, other forms of property and other sources of income grew up as the nation developed and prosperity grew.

Taxes on Personal Property

To meet this difficulty the tax on movables was instituted. This was a levy of a specified proportion of the capital value of personal property as distinguished from land and houses. Land-owners and farmers were assessed and taxed on the value of their cattle, farming stock and produce, and sometimes also on their rents, and townsmen and traders were assessed and taxed on their furniture, money, and stock in trade. The levy varied according to the circumstances and necessities of the time from $\frac{1}{4}$ to $\frac{1}{40}$. The first tax of this kind was imposed in 1188.

At first the tax on movables was supplementary to the taxes on the occupiers and owners of land as such—scutage or tax on the

knight's fee, carucage, and tallage—but these were gradually abandoned, until they were entirely superseded by the new tax. That is to say a general property tax, levied on rent and personal possessions, was established. All paid except the very poor. Sometimes the exemption was having goods not worth more than 3s. 4d., sometimes 6s. 8d., and once 15s.

Taxes levied on Localities

In 1334 an important change was made in the assessment and collection of this tax on movables. The keeping up of an assessment on the capital value of land had proved to be impracticable, and the tax on rents and movables had been substituted for it. But in course of time it became evident that there were great difficulties, and much doubt existed as to the equity of the substituted taxes. Land possessed one important qualification for taxation. It could always be seen; it could not be removed or hidden away. That was not the case with movables, especially of the smaller and more valuable kinds. It was also found that this tax was used as a means of extortion and corrupt unfairness by the taxers and collectors.

The result was that in 1334, when a grant was made of a fifteenth and a tenth¹ on movables, "in order as far as possible to avoid the oppression, extortion, and hardships that had occasioned the complaints," the Commissioners were authorised to arrange with the local communities—the cities and boroughs—and with the men of the townships and the ancient demesne, and settle the definite fixed sum to be paid by each community as its share of the national levy. That is to say, the Commissioners fixed with the local authorities of each community the amount to be paid by that community as a whole. They then left the local authorities to raise the amount from the individuals who composed the community by such method of assessment and collection as was deemed by them most convenient.

In this way the King's Commissioners got rid of all the difficulties of individual assessments and personal collections by transferring them to the localities, and ensuring that the money required should be raised by those who had local knowledge of the means and possessions of the persons taxed. Practically these taxes were then levied by something similar to our modern "precepts" for local rates. Central control and central assessment and collection by

¹ Fifteenths for the counties and tenths for the towns and the tenants of demesne outside the towns.

government officials, so far as the individuals taxed and the details of assessing and collecting were concerned, disappeared.

Assessments became Permanent

An outcome of this arrangement was that the amounts agreed upon as the sums to be raised by the various communities in 1334 became from that time the fixed amounts of the fifteenths and tenths. A fifteenth and a tenth became the recognised expression meaning the amounts at which each community was assessed in 1334. When more than the sum represented by that assessment was required, two or three fifteenths and tenths would be granted, and, when less was needed, half a fifteenth and tenth would be granted, it being meant thereby that twice or three times or one-half of the amount fixed in 1334 was to be raised by each community. This system of levying the tax on movables continued for three centuries, until indeed this tax of fifteenths and tenths was levied for the last time in 1623. All attempts to disturb the settlement of 1334 and revise the method of levying the tax and revising the assessments invariably failed. Indeed, it became an ancient and continuous precedent. The fixed land tax of the Revolution and of the eighteenth century which exists now is a survival of the principle and policy adopted nearly 600 years ago.

Attempts to introduce New Taxes

As time went on increased revenues were required, and efforts were from time to time made to provide them and relieve the pressure of the tenths and fifteenths by introducing new taxes. These efforts were attended by limited success. The "groat" tax—a poll tax of 4d. per head on every person over fourteen years of age—was introduced in 1377, and the graduated poll tax of 1379 precipitated the Peasants' Revolt of 1380 and were both a failure. The tenths and fifteenths had to be continued, but a difficulty was that the yield of them was steadily declining. With fixed levies this is inevitable. Reductions had to be allowed to decayed towns; but growing places resisted any increase.

In the early years of the fifteenth century, for the prosecution of the war with France, the land-owners granted special levies on land as exceptional taxes, care being taken to specify "that the grant should not be taken as a precedent for the future."¹

¹ *Parliamentary Rolls*, III. 648.

Efforts were made to institute permanent supplementary taxes on lands and a graduated income tax, but they were abortive. During the Wars of the Roses which followed almost immediately upon the close of the Hundred Years' War with France there was naturally much difficulty in collecting the ordinary taxation of the country. The fifteenths and tenths were levied more or less successfully from time to time, but the main source of tax revenue during that period was from customs. Under the Tudor sovereigns the old system of grants of fifteenths and tenths continued in use, and for some time any attempts to introduce any novel form of taxation invariably ended in failure.

Another General Property Tax and a New Assessment

Eventually, however, a supplementary general property tax, known as the Tudor Subsidies, was established and developed. A feature of the new departure was a new and additional tax on income from land and on possessions in money, plate, cattle, stock, merchandise, household stuff, and other movables. This was largely an effort to obtain an assessment on present values in place of the assessment on the old fixed values which was in force for the fifteenths and tenths. As those values had in reality changed very considerably the incidence of the new levy, though made upon the same property as the old one, was very different.

An ordinary subsidy was 2s. 8d. in the pound on movables and 4s. in the pound on the annual value of land, and the custom was to grant one subsidy and two fifteenths and tenths. One provision was that a person should not be taxed both on his land and on his movables. If he paid on one he was relieved from payment on the other. The tax upon the annual income from land was not an additional tax on land-owners, but was part of a general tax on everybody. Sometimes there was a poll tax on those who did not pay the charge for the subsidy.

For a long time the old tenths and fifteenths and the new subsidies were voted side by side. In the long run, however, the tenths and fifteenths disappeared, and after 1623 the government relied on subsidies as their general property tax. But this form of tax on stock-in-trade, and on personal property in general, gradually followed the same lines as such taxes had always done, and have since done elsewhere: personal property slipped out, and the owners of it evaded their liability.

The New Assessment became Permanent

The old objection of the people to have uncertain assessments and levies gradually brought the new subsidy tax to very much the same basis as the old fifteenth and tenth, in so far as it became customary to levy it on the old assessment. At the same time abatements and allowances were from time to time obtained. For these and other reasons the yield of both the subsidies and the fifteenth and tenth fell off, while the Customs revenue increased as the trade of the country developed. It was, and always is, hopeless to secure accurate and equitable assessments of personal property for any considerable length of time.

The subsidy continued, however, to be used as an occasional property tax down to the time of the Civil War, when Parliament required a more rapid and continuous supply of money, and a system of monthly assessments was adopted. These "monthly assessments" of the Commonwealth were levied monthly on the income from lands, houses, rents, profits, goods, chattels, stock, merchandise, offices, "or any other real or personal estate whatsoever." The income from money, stock and other personal property was assumed to be 5 per cent on its capital value. After the Restoration of Charles II. a last trial was made of the old Tudor subsidy, but it proved effete as a source of revenue and was finally abandoned in 1663.

The Commonwealth form of monthly assessments was resorted to several times in the reign of Charles II., and also in the early years of the reign of William and Mary. "But the 'exorbitant inequality of the old proportions of charge, both between county and county, division and division, and parish and parish,' gave rise to serious and well-grounded complaints. Movable property had slipped out of assessments, 'neither money nor personal estate coming in to the aid,' and in consequence of this, the pressure of the tax on the possessors of land was excessive."¹ The monthly assessments were abandoned in 1691.

Another Assessment and another Property and Income Tax

In 1692 Parliament returned to a general property and income tax of 4s. in the pound on personal property, offices and all real estate. At varying rates this general tax, which, in one form or another, had been levied for several centuries, continued until 1798.

¹ Dowell's *History of Taxation*, vol. iii. p. 92.

It was a tax first, upon personal property, second, upon incomes from public offices or employments of profit, and thirdly, if the two previous classes did not provide the required amount, the remainder of the sum required was to be raised by a levy on the yearly value of manors, lands, houses, quarries, mines, tolls, and "all hereditaments of what nature soever they be." The personal property to be rated was described as—any estate in ready money, or debts due, or in goods, merchandise, or other chattels, or any personal estate whatsoever within the realm.

As Dowell says, "This property tax of William III. originally intended to bear in the first instance on personal property and offices, subsequently, when personal property slipped out of assessment, was described as 'an aid by a land tax,' and in fiscal expression the 'annual land tax'!"¹

¹ Vol. iii. p. 97.

CHAPTER II

THEORIES OF TAXATION IN THE SEVENTEENTH AND EIGHTEENTH CENTURIES

THE very generally held opinion that the abolition of the remaining incidents and charges of the feudal system at the time of the Restoration, and the resort to excise duties on ale and beer, spirits, coffee, tea, etc., was a purely selfish and unjust transfer of liability from land-owners to the general public is a mistaken and inaccurate view. In the first place, the change was really made under Cromwell in the time of the Commonwealth. It had been strongly desired before the Civil War in the time of James I., and it was confirmed and made permanent on the restoration of Charles II. It is clear, therefore, that it was a change which all parties desired and approved. In the second place, evidence will be adduced to show that the burden and annoyance of the incidents of feudalism which then remained were felt and resented by all classes, and not by the large land-owners only or even chiefly, and that their abolition was a national and not a class relief.

Apart altogether from the excise duties levied in place of the feudal incidents under Charles II., there were other excise duties of equal amount levied on the same articles for ordinary revenue, and the total of both sets of these excise duties was only the same as the excise duties levied under the Commonwealth.

The fact was that the old sources of public revenue had long been failing, expenditure had greatly increased, and new and more productive sources of income for the state were urgently required. When we form an opinion as to what was done in more or less remote times, we shall not reach just and sound conclusions unless we fully understand not only the actual conditions at the time—social, economic, and political—but also the views which were entertained and the objects which were desired and aimed at. We shall fall into

error, and do grave injustice if we apply present-day standards, knowledge, and opinions to times, actions, and conditions which were very different.

The Economic Opinions of a Century and a Half

It will be useful, therefore, in connection with the new departure that was made and developed in the financial system of the country in the seventeenth and eighteenth centuries to ascertain what were the opinions held and the principles enunciated with regard to taxation by the leading political and economic authorities during the hundred years or more which immediately preceded the appearance of Adam Smith's great work, which laid the foundation of modern political economy. Such an investigation has been made by Professor Seligman¹ and Mr. Wm. Kennedy,² and I am much indebted to them for the material for the following summary.

The idea upon which excise duties were based was that, as they were taxes on consumable commodities, they were a tax on consumption, and therefore a tax on expenditure. They were regarded as the simplest method by which the nearest approach to equality and universality of taxation could be secured. A general ground on which the duties were justified was that the general property taxes had broken down, that "every man should give something," and that excise duties were the most practical way of securing that.

Various and curious views were entertained as to the incidence and effects of excise taxes, and extremely varied and inconsistent reasons were urged in support of them.

The Incidence and Effect of Excise Duties

At the time of the institution of excise taxes, it was held by many authorities either that those taxes did not remain on the poor, or that in so far as they did, they were really an advantage to them because they secured for them still greater benefits. One theory was that as the cost of necessaries increased, wages must also rise. This would mean that the price of the articles produced must be advanced, and the rich consumers of them would thereby pay the taxes.

A similar theory (Waterhouse, 1662) was that money raised by taxes on the poor returns to them again through increased employment and higher wages, and that a tax was really a loan which returned to the poor in increased amount. It was contended that

¹ *Essays in Taxation and Shifting and Incidence of Taxation.*

² *English Taxation, A.D. 1640-1799: An Essay on Policy and Opinion.*

as taxes were used for the maintenance of the Court or for war, they made money circulate, and gave employment. One writer went so far as to urge that "public taxes expended in our own country may be accounted the poor and the mechanic's bank, by which they are employed and maintained."

A century later Fauquier said :

The poor do not, never have, nor ever possibly can, pay any tax whatever. A man that has nothing can pay nothing.

If by taxes, or dearth, or any other cause, the common necessities of life become so dear that a labourer cannot live at the usual wages : the price of labour must, and in fact usually does, rise in proportion thereto at least, generally much more.

If taxes are laid on labour merely, or on such articles as the meanest labourer must want and use, he will still live, and his wages must be raised.

He held that taxes fell ultimately on the rich consumer, "that is, the man of fortune who lives on his income." The idea running through all this, of course, was that wages always are at the minimum of bare subsistence.

John Houghton, a Fellow of the Royal Society, writing in 1695, said :

In these duties every person will be taxed, and pay more or less, according to the quantity he or she useth : if poor, they use little, and therefore pay the less : if rich they pay the more, in proportion to what their expense and consumptions are : so that nothing can be more equally laid and charged upon the people than the taxes aforesaid.

High Duties and Low Wages Considered a Stimulus to Industry

On the other hand, as the opinion that excise duties are really borne by the consumers, whether they were rich or poor, became more generally accepted, the conviction grew in some quarters that such a system of taxation as the main source of revenue was unequal and unjust. The view that additions to the cost of the necessities of life involved increases in wages to at least a corresponding extent was found to be unconvincing.

At the same time another line of thought developed and became so widely adopted that it counterbalanced, and for some time quite overwhelmed, any feeling that taxes according to consumption were inequitable. It was based on the opinion that low wages for working people were better for the community as a whole than high ones.

"Most of the writers of the close of the seventeenth and the

first half of the eighteenth century," says Professor Seligman, "imagined that taxes on the necessaries of life would constitute a great stimulus towards an improvement in the condition of the labourer, in sobriety, carefulness, and efficiency. A tax on labour would thus, they thought, be a real spur to industry and commerce, and a benefit to the community in general: for low wages mean low cost of production. When the necessaries of life are taxed, runs the argument, not only will the labourer have to work harder and longer to maintain himself—which will be a benefit to him—but, on the other hand, there will be a reduction in the labour cost to the employer, which will be an advantage to the community."

This view was very popular for a considerable time amongst employers and writers on economic subjects. John Houghton, in 1683, laid down the principle "that this Kingdom will thrive more, and the manufacturers live better, and sell their manufactures cheaper when provisions are dear, than when they are cheap." His contention was that "if there be of food a plenty, laziness follows it," and his argument was that when the workmen get higher wages, they stop work to spend their earnings in debauchery. The ordinary labourer in England earns enough in three or four days to support him for the entire week. If he had to pay more for his provisions, he would work harder and produce more. This dearness would, in the end, bring about industry and plenty. He therefore proposed higher taxes on food and clothing.

Taxes on the masses of the people were regarded by this school of thought as blessings, because they were believed to promote thrift and "excite the commonalty to ingenuity, diligence, and frugality." One writer (Temple, 1758) contended that "the only way to make the poor temperate and industrious is to lay them under a necessity of labouring all the time they can spare from meals and sleep, in order to procure the common necessaries of life."

This controversy as to the advisability of the excise because of its effect in stimulating industry by reducing wages and compelling men to work was maintained throughout the eighteenth century. In course of time the opposite view to that expressed in the foregoing extracts found exponents, and Professor Seligman tells us that although the theory that low wages are not necessarily a benefit to a country, and that taxes are not needed to reduce the cost of labour, was not at first a popular doctrine among economic writers, it gradually made headway in scientific and commercial circles, and sounder and more humane views became prevalent.

Some Theories and an Objection

Throughout the controversy, there were some who contended that all these taxes fell on the land-owners.

“A general excise upon commodities,” said one in 1623, “is a real land tax, and will have the same influence upon the value of lands and rents, as that we call a land tax hath.” “The supply of commodities in England is so great that the market is at the mercy of the purchaser. A tax on commodities, therefore, must fall on the producer or seller; and since everything is a product of the land, a tax on products is a tax on land.”

Others were convinced that the taxes fell on the traders. Summing up an extremely useful and interesting review of the literature of the subject during the period between 1660 and 1800, Professor Seligman says: “It is clear that the discussion of the excise called forth almost every conceivable theory as to its incidence. Some thought that the tax was not shifted at all, some maintained that it was shifted to the land-owner, some believed that it was shifted to the consumer, and some contended that it was again shifted by them to the employers of labour. These views were advanced with all degrees of confidence—but, with few exceptions, with little grasp of fundamental economic principles.”

Taxes on Luxuries, including Bricks

The chief objection to the excise was its inquisitorial character. It was this that rendered it hateful and repugnant to the masses of the people. The outcome was proposals in 1757 to tax luxuries specially and heavily. Taxes were advocated on “a vast variety of articles that may be placed in the list of unnecessary expenses, and are only the trappings and gildings of modern vanity and fashionable excess”—“superfluities of the rich, the proud and the extravagant.”

Some writers desired to have a single tax on luxuries. The plan of one was to lay “one tax on the consumers of luxuries, and take off all our other taxes, excises and customs.” Like the modern advocates of a single tax on land, and all other vendors of economic pills for social earthquakes, he was convinced that the result of the adoption of his proposal would be that “we shall become a rich and flourishing people.” The special agitation for a single tax on luxuries died away when certain taxes on luxuries had been added to the general taxes of the country.

Two proposals with regard to “luxuries” which were suggested

in the early part of the eighteenth century are specially interesting at the present time, as illustrating how entirely different and contradictory the views held at different periods and under different conditions may be. One was the proposal (1713) to tax bricks in order to check the growth of London at the expense of the rural districts ; ¹ and another (1726) was the suggestion that a law should be enacted restricting the further erection of buildings in London, "whereby the temptation to luxury will, as far as possible, be taken away from the industrious part of the subject."

A Single Tax on Houses Advocated

The general principle that taxation should be as nearly as possible in proportion to the means of the tax-payer being universally accepted, those who felt the force and justice of the objections to the excise taxes cast about for substitutes, and some interesting suggestions were made. The idea of fixing upon some one thing which would fairly represent the taxable capacity of the various members of the community, and levying all taxes on that, was popular with some writers. The proposal was to take some one criterion of the tax-payers' means, which was not only universal, but obvious, and thereby avoid the interference with trade, the inquisitorial investigation, and the encouragement of smuggling and evasion, resulting from the excise taxes. The suggestion was that the desired object would be found in the building occupied by the tax-payer, and, therefore, in place of the general excise, it was proposed by Sir Wm. Decker in 1743 that there should be a single tax on houses. The proposal had many supporters, and an interesting outcome of it was a proposal to substitute windows for houses, and concentrate all the duties in one tax and levy it on windows. The argument of Horseby, 1744, ran thus :

The poorer sort of people live in small houses, and they seldom have more windows than are absolutely convenient : as, on the other hand, the nobility and gentry live in large and spacious buildings, and consequently have a great number of windows, and perhaps many more for ornament than for use.

When Pelham revised the house duty and considerably extended the principle of the window tax in 1743, these particular agitations for single taxes died out.

¹ The duty on bricks and tiles may give a reasonable check to the wanton and extravagant humour of building, particularly about this metropolis, whereby the head is likely to grow too big for the body."—A. Hutchison, 1718.

Theories as to Taxes on Land

The first exposition of the theory that all taxes ultimately fall on the value of land, and are therefore really borne by land-owners, is usually attributed to the Physiocrats, but in reality the theory was put forward in England long before their time. When and where it was first advocated we cannot say, but certainly it is to be found in publications issued in this country before the end of the seventeenth century. One writer in 1677 contended that the land-owners "bear all the taxes and public burthens : which in truth are only borne by those who buy and sell not : all sellers raising the price of their commodities, or abating of their goodness, according to their taxes."

The celebrated John Locke in 1692 reasoned out in some detail the general principle which he stated thus : "Taxes, however contrived, and out of whose hand soever immediately taken, do in a country, where the great fund is in land, for the most part terminate upon land." His argument was that merchants and shopkeepers neither can nor will bear taxes on commodities. They will increase the selling price in proportion to the extra cost to them. "The poor labourer and handicraftsman cannot, for he just lives from hand to mouth already." A tax on the labourer means that his wages must be raised or he will come on the parish, and the burden will be borne by the land in a heavier way. If the labourer's wages rise, the farmer cannot get more for his produce ; indeed, buying will be restricted owing to the increase in price due to the tax on it, and the net price to the farmer may tend downward. The margin out of which he pays rent will, therefore, be reduced, and the landlord's rent must be brought down.

Davenant (1698) concluded that "all taxes whatsoever are in their last resort a charge upon land." Many other writers about that time supported the same view.

The Opposite View

When Walpole brought forward his excise scheme, the problem of the incidence of taxes became a burning question, and there was much controversy with regard to Locke's theory. The opposite view that taxes on land are transferred to the consumer of the produce was put forward with great vigour, especially by the supporters of the excise duties. In a publication (1733) which was attributed to Sir Robert Walpole himself, the writer says : "The land tax falls heavily upon the people, by heightening the rent of

lands, and consequently the bread and drink, and other food, so that what the land pays, the people too pay."

Another writer in the same year contended that "a land tax, which affects all the common necessities of life in our own production, is an actual general excise, in the strict sense of the words."

Petty (1661) considered that the land tax was shifted to the consumer. The most notable opponents of Locke's proposal for a single tax on land, however, were David Hume (1752) and Sir James Steuart (1767), and in the latter half of the eighteenth century the economists were agreed in dissenting from Locke's theory that all taxes concentrated on land. Dugald Stewart (1801), after remarking that the first idea of a single tax on land was borrowed from this country, said "it had been almost forgotten as an exploded chimera, when it was revived by the Economists of France."

A Bewildering Medley of Views

In completing his survey of the views of English economists during the period from the institution of the excise under the Commonwealth to the time just prior to the appearance of Adam Smith's great work on political economy (1776), Professor Seligman says: "We have found almost as many views as there were writers. That taxes remain where they are imposed, that all taxes are shifted to the land-owner, that they are shifted to the trader, that they rest on the labourer, that they rest on the rich consumer, that they do not rest on the consumer at all—these, and variations of these doctrines meet us in bewildering confusion."

Two Conclusions therefrom

Upon this welter of opinion two observations may be made. First, that with so much variety, confusion, and contradiction of opinion amongst those who were regarded as authorities, it is not surprising that no one clear line of financial policy was evolved and developed, but a medley of taxes, made up by additions and adjustments from time to time as this, that, or the other view about a particular tax appeared to predominate, was piled together. No one school of thought was ever strong enough at any time to completely enforce its views. The utmost that the advocates of particular proposals were able to secure was that some part or instalment of their suggestions was added to the welter of taxes already existing. The result was that confusion became worse confounded, and the list of taxes grew until almost everything that any one bought, sold,

made, touched, or did, was taxed. The outcome was of course constant irritation, an enormous amount of deception and evasion, and an extremely costly and extravagant system of collection and administration. But until clearer views based on sound economic principles prevailed, effective reform was impossible; and it was really not until Adam Smith produced his epoch-making work that the process of education, upon which a sound public opinion can alone be built up, could even begin.

Second, that it is neither reasonable nor just to judge the motives of the parliaments and statesmen of those days in matters of taxation upon the basis of the knowledge and views of the present day. The opinion that people will hold as to the justice and expediency of a tax must depend in the first instance almost entirely on the opinion they entertain as to the incidence of tax, that is, as to who will really bear the burden of it, and the effect it will have. A tax which may appear to us to be unwise, and indeed unjust, might appear to them to be both wise and just, simply because their view as to its incidence and effects differed from ours. When we realise what confusion existed as to the incidence of taxes, what a lack there was of any sound and consistent view based on broad economic principles, and how absolutely contradictory views were expounded with considerable ability and obvious sincerity by men of learning, position, and authority, we must not be surprised that parliaments and statesmen and the people at large were confused, and owing to lack of capable leading, based on sound economic principles, taxes were levied which we now regard as unwise and unjust. There is no reason to doubt that for the most part those who imposed them acted for what they believed to be the best according to their judgment based on the information and knowledge they possessed, quite as much as those who advocated or enact changes in our taxation now do.

CHAPTER III

LOCAL RATES

BEFORE the sixteenth century, local rates and national taxes were, for the most part, collected together. The tenths and fifteenths, the taxes on movables and the subsidies, as the general taxes on all kinds of property and possessions for national purposes were variously styled, together with any local levies for local needs, were all assessed and collected locally by the local authorities according to the usual custom of the locality.

As regards the assessment of local rates, there were no laws to regulate the practice of the local authorities. They exercised their discretion guided by custom. The general principle was that the levies, both for local and national purposes, were to be made according to the general possessions of the tax-payers, but the precise method was left to local custom and discretion.

The Poor Law Commissioner's Report on Local Taxation (1843), which contains a valuable history of local rates, speaking of the Town cess or Township rate, tells us that "The King's aids, taxes, and subsidies too, were often imposed on the inhabitants of the Town by the same machinery"; and again that, "The County Rate with the contributory rates, the Township rate contributing to the Hundred, and the Hundred rate contributing to the County, constituted one complete system of taxation. The County Rate was sometimes again contributory towards the common national burdens; the King's aids, taxes, and subsidies being in early times imposed by means of the Sheriff of the County, who assigned their shares to the respective Hundreds within which the necessary portions were collected by the officers of the several townships." Commenting on this practice, Mr. J. Row-Fogo¹ says:

"We see, therefore, that from very early times local rates have been imposed for general national purposes. Of any intention to place a

¹ *Reform of Local Taxation*, pp. 38 and 39.

peculiar burden on land, we also find that there is no trace. As soon as the accumulation of movable property made the danegeld and carucage no longer general taxes, these imposts disappeared, and made way for taxes which were intended to reach every kind of wealth." And again: "In course of time the method of supplying the public exchequer by rates decayed: after 1623 it fell away altogether. Taxes again came into existence, and rates, instead of supplying both purposes, came to be levied for the objects of local government only."

The Difficulty of Assessing Personal Property

We have already seen that the difficulty of assessing movables was a continual source of inequality, evasion, and dissatisfaction. It lent itself to bribery and favouritism. The ease with which movables could be concealed and removed facilitated evasion, and led to intense dissatisfaction both on the part of the tax-payers and of the authorities who had to levy and collect the taxes. A general property-tax, including an enumeration and assessment of all movables, was continually striven for and tried, and as continually proved unsatisfactory and indeed impracticable. Personally continually slipped out of assessment, and the authorities had to devise other imposts to supply its place and make up the deficiency. The National Exchequer could do this, but local authorities could not easily do it. Long before the Act of Elizabeth was taken into the statute book—

. . . the statutory instruction to local authorities had been to enumerate all movables, and this was, without exception, the least serviceable mode of assessment that could have been devised: it was troublesome to the assessor, unendurable to the assessed. The regulations came to be enforced later in the case of the central subsidies granted to the King, but local authorities were left free to act as they liked. They assessed, therefore, after a method which afterwards became statutory: "according to their good discretion." Direct assessment ceased, and an indirect guess at ability took its place.¹

Local Rates a Kind of Income Tax

Local authorities were bound to adopt some kind of single tax and simple levy, unless they resorted to local customs duties, which were never popular in this country. The result was that they gradually adopted land and buildings as the basis of their local taxation. The land, houses, and buildings occupied and used were regarded as the most convenient and equitable means available of gauging a man's taxable capacity. It really was a species of in-

¹ *Reform of Local Taxation*, p. 65.

direct assessment of income and means. Instead of enumerating all his personal possessions, and taxing him on these, it was assumed that if he were taxed in proportion to the land and buildings he occupied, the practical result would be about the same. The style in which he lived, and the amount of land he cultivated, and the extent of the buildings he occupied in his business, were judged to be fairly accurate indications of the tax-payer's wealth and ability to pay taxes.

This taxation of a man according to the value of the land and premises he occupied was not intended to be, and was not at all regarded as, a tax on real property which fell upon the owner. It was regarded more as an income tax. It was considered that it was the occupier who was taxed, and it was intended that he should be. He was made to pay according to his use of a certain kind of property. This was not regarded as a tax on the property, but as a tax on him.

Roads and their Repair

Dr. Cannan in his *History of Local Rates* reminds us that—

Many of the most expensive institutions now maintained by local rates had no existence in the middle ages. Even the fifteenth-century citizen had not to provide for compulsory education, purification of sewage, street lamps, or police in the sense in which we now use the word. There were always roads, of course, but what were those roads like? . . . For 99 miles out of 100, it must have been what rustics now call a "soft" or "green" road, in contradistinction to the "hard" or "metalled" road of the modern highway authority. It keeps along the hillside regardless of gradient, because some embanking and draining would have been necessary on the flat land. It is sinuous, owing to the effort to avoid every soft place; and where the adjacent land-owners have observed the eighth commandment, it is excessively wide between the hedges, because on a "green" road the traffic is constantly endeavouring to find a place where previous passengers have not destroyed the surface. Every improvement obviously dates from the turnpike days. If we wish to picture an English road in the middle ages, we should think of what we now call a mere "track" across an open heath, or imagine a wide, little-used country road, with the narrow, metalled strip in the middle entirely removed.¹

The cost of public works, and especially the building and maintenance of bridges and difficult pieces of road, was largely defrayed by the gifts and bequests of private individuals and by religious houses. "The remainder of what we regard as the expenses of

¹ Cannan, *History of Local Rates*, p. 7.

local government, so far as they existed, were borne on the broad back of the 'feudal system.'"¹

The first general highway act, which was passed in 1555, extended and gave statutory effect to the custom which had hitherto prevailed. It provided that every year the parishioners should elect two persons to be responsible for repairing the main highways. They were to appoint four days on which the parishioners were to mend the roads.

Every person for every plough land in tillage or pasture that he or she shall occupy in the same parish, and every other person keeping there a draught or plough, shall find and send, at every day and place to be appointed for the amending of the ways in that parish as is aforesaid, one wain or cart, furnished after the custom of the country with oxen, horses, or other cattle, and all other necessaries meet to carry things convenient for that purpose, and also two able men with the same upon the pain of every draught making default 10s. ; and every other householder, and also every cottager and labourer of that parish able to labour and being no hired servant by the year, shall by themselves or one sufficient labourer for every of them, upon every of the said 4 days, work and travail in the amendment of the said highways, upon pain of every person making default to lose for every day 12d. . . . And every person and carriage aforesaid shall have and bring with them such shovels, spades, picks, mattocks, and other tools and instruments as they do make their own ditches and fences withal, and such as be necessary for their work.²

This system lingered on by the side of turnpikes and rates until 1835. The Act for "the Hue and Cry," passed in the reign of Elizabeth (1584), provided that persons who had been robbed on the highway should be entitled to have the damage made good by the inhabitants of "the towns, parishes, villages, and hamlets, as well of the said hundred where any such robbery shall be committed," and that the sum required should be raised by taxing and assessing "according to their abilities every inhabitant and dweller in every such town, parish, etc."³

The Support of the Poor

As the Poor Rate is the basis of all other rates, the history of local levies for the relief of the poor is exceptionally interesting and instructive in connection with the phase of the subject which we are now considering.

¹ Cannan, *History of Local Rates*, p. 7.

² *Ibid.* pp. 8 and 9.

³ *Ibid.* p. 46.

“Serfdom,” says Mackay, “is itself a system of Poor Law. The Poor Law is not therefore a new device invented in the time of Elizabeth to meet a new disease. The very conception of a Society based on status involves the conception of a Poor Law far more searching and rigid than the celebrated 43 Eliz. cap. 2. . . . With the disappearance of Feudalism we might have expected that there would have disappeared the custom which made the poor a charge upon the manor or parish of which they had formerly been serfs. This, however, did not happen, and a history of this survival of mediæval custom is the history of the English Poor Law.”¹

The support of the poor was in the earliest times a parochial concern, being connected with the maintenance of the Church. The church rate and poor rate were thus for some time the only parochial taxes. Before the 27 Henry VIII. 1536, the relief of the poor had been a legal charge, but undefined in amount, on the revenues of the secular clergy, aided by the many exclusively charitable foundations, and by the regular alms of the monasteries and religious houses, collegiate churches, hospitals, and cathedrals.²

When Henry VIII. suppressed the religious houses and confiscated their property, provision for the relief of the poor had to be made from other sources. Under the circumstances it was obvious that the raising of the required revenue would be a difficult and delicate matter. Parliament and the king proceeded cautiously. In 1536 an Act was passed instructing local authorities to maintain the poor and deal with beggars by means of charitable and voluntary alms. The chief officers of the locality and the two churchwardens and two other annual officers in each parish were to collect the money, and all clergymen and preachers were to exhort and stir up the people to give liberally. Fifteen years later another Act was passed requiring more personal and detailed pressure to be put on “every man and woman,” especially if they did “obstinately or frowardly refuse to give.”

A Poor Rate

A step further was taken in 1563, when authority was given to levy a rate, “but still only as an alternative to the voluntary alms, and as the very last resort against the obstinacy of recusants.” Another Act in 1572 strengthened the power to raise the money required by a tax. In 1598 it was necessary to make the burden wholly compulsory, and the parish was reverted to as the area in which the poor were to be relieved.

¹ *History of the English Poor Law*, pp. 10-11.

² *Report of Poor Law Commissioners*, 1843, p. 12.

In 1601 the famous Act known as 43 Elizabeth c. 2. was passed. This is often referred to as the Act which founded and originated poor rates. As we have seen, that is not correct. Poor rates were levied many years before that Act was passed. What that Act did was to make rather more definite the existing provisions as to those upon whom the rate was to be levied, and to elaborate more precisely the administrative details of the work of the relief of the poor. It provided that "every inhabitant" and "every occupier" should be assessed by the Justices "in such sums of money as they shall think fit."

On whom it was to be levied

This was delightfully vague and indefinite. Nothing was said as to what was to be rated or how it was to be assessed. The persons who were to contribute were specified, but nothing at all precise or definite was said as to how the contribution was to be levied upon them. The result was that the judges in the law-courts, as cases were brought before them, had to fill in the gaps and interpret what they deemed to be the intentions of Parliament in the most practical way they could. They practically fell back upon custom, and what they deemed to be public and local convenience. The decisions were conflicting and inconsistent. Sometimes it was declared that personal property was not rateable; but the weight of authority supported the view that it certainly was, and that was the view which was finally adopted by the judges as settled law. Within the limits of the definite provisions of the statute considerable sanction was given to local custom; but as it was then usual for the law courts, in judicial decisions, to lay down general principles, there was soon promulgated a body of rules which reduced to something like legal uniformity the varying practices which had grown up as the result of local justices being empowered to assess taxes "as they shall think fit."

*Possessions and Ability to pay intended to be the Basis of
Assessment*

The judgments in the celebrated Jeffreys case in 1589 are very instructive, as showing that rates were not intended to be a tax on property but on the occupier. The case arose out of an attempt to rate Jeffreys on land in a parish in which he did not reside and which he let to tenants. As Mr. Row-Fogo puts it: "The judges decided that the lessor who receives rent for these (lands) shall not

be charged for them in respect of his rent." In other words, owners of property shall not be rated directly on the income from their property. This decision shows how clearly the difference between a land tax and a local rate was recognised by the Court. "The charge is on the person, not on the land, but on the person in respect of the land, for the more equality and indifferency." "Not rent received, but rent paid was the criterion, or, in the case of an occupying owner, the value of his occupation." And again: "The assessment of occupiers, then, on the annual value of their consumption of real property, is not the surviving remnant of a direct tax on general property, but rather the foundation of a complete impost on the entire wealth of each individual."¹

There can scarcely be any reasonable doubt that down to the Act of 1572 the poor rate was intended to be assessed upon the inhabitants in proportion to their real ability to contribute, and not according to their ability as measured by the standards in use for the other rates.²

In 1633 Justices Hutton and Croke, in a celebrated rating appeal which was decided at Lincoln, said that it had been resolved, by all the judges in England in conference, "that the assessments for relief of the poor ought to be made in such manner as before, according to their visible estates, real and *personal*, which they had or enjoyed in the town or place where they inhabited."

In the 1635 edition of Dalton's *Country Justice*, a work of authority at the time, it is stated that in assessing for the poor rate regard must be had—"that men be rated according to their estates of goods known, or according to the yearly value of their lands, farms, or occupings, and not by estimation, supposition, or report. Also herein the charge of family, retinue, and countenance is in some measure to be regarded: for if one valued at £500 in goods hath but himself and his wife, and another estimated at £1000 hath wife and many children, etc., the first man by reason is to be rated as much as the other; and so of lands."

"There is no reason whatever," says Dr. Cannan, "to suppose that what we call manufacturers and tradesmen were not rated in proportion to their supposed profits, so long as the rate was assessed by a vague estimate of ability. As soon, however, as occupiers of lands and houses and tithes are assessed by a pound rate, difficulties arise about these profits. The simplest solution is to trust that the assessment of the houses and other tenements will do justice among

¹ *Reform of Local Taxation*, p. 63.

² Cannan, *History of Local Rates*, p. 67.

the receivers of such profits. There seems little doubt that this was the course generally followed. But it is easy to see that in some parishes where different kinds of trades were carried on, the value of the tenement alone would not be a very satisfactory basis of assessment. It was natural to look for some concrete thing on which to impose a pound rate, and to find this concrete thing in stock-in-trade, assuming, of course, that £100 worth of stock-in-trade brought in an income of five or some other number of pounds, and treating this £5 for purposes of rating as equal to £5 of rental value. Accordingly it happened that, while in most parishes no notice was taken of anything except lands, houses, tithes, coal mines, and underwoods, in a few places a system of rating in respect of stock-in-trade existed from the earliest establishment of pound rates down to the present century.”¹

Acts of Parliament, Decisions in the Courts, and Practice in the Parishes

In the seventeenth and the early part of the eighteenth century, a number of Acts from time to time distinctly set out that rates were to be assessed not only on the value of the lands, houses, and premises, which people occupied, but also on their stock-in-trade and their personal estate. After providing for the assessment of lands, tithes, mines, woods, and tenements, these Acts contained provisions of which the following are examples: a general Highway Act of the Commonwealth (1654, c. 3), “and also upon the dead goods, commodities, or stock-in-trade of every particular parishioner.” Another Highway Act in 1662 included in the assessments, “stock, goods, or other personal estate not being household stuff.”

Acts in 1670 (22 Car. II. c. 12), 1690 (2 W. & M. c. 8), 1691 (3 W. & M. c. 12), 1695 (7 & 8 W. III.), 1703 (2 & 3 Anne, c. 8) specifically provided for the rating of stocks and personal estate. In 1711 another Act (10 Anne, c. 15), for providing a Workhouse at Norwich, empowered the laying of a rate on the inhabitants and on the occupiers of land, houses, etc., “and on all persons having and using stocks and personal estates in the same respective parishes . . . or having money out at interest.” In 1698, on appeal, a rate which had been laid in the parish of St. Leonards, Shoreditch, was quashed and another rate ordered on the ground that personal estates were not assessed.²

¹ Cannon, *History of Local Rates*, p. 86.

² *Ibid.* pp. 88-90.

An interesting light is thrown on the point as to the rateability of stocks and the difficulty which attended the assessment of them, by the following extract which Dr. Cannan quotes from "A Discourse touching Provision for the Poor" by Lord Chief Justice Hale, who died in 1676 :

Those places where there are most poor consist for the most part of tradesmen whose estates lie principally in their stocks, which they will not endure to be searched into to make them contributory to raise any considerable stock³ for the poor, nor, indeed, so much as to the ordinary contributions. But they lay all the rates to the poor upon the rents of lands and houses, which alone, without the help of the stocks, are not able to raise a stock for the poor, although *it is very plain that stocks are as well by law rateable as land*, both to the relief and raising a stock for the poor.

A careful examination into the customary method of assessing and levying local rates was made in 1680, and it was ascertained that two methods of ascertaining the contributors' ability to pay were prevalent. One was estimating it by the value of his goods and chattels, and the other by ascertaining the value of the premises he occupied. In 1713, however, it was declared to be "general usage" to apportion the rate according to the annual value of the real property occupied.

In 1698 the Court of King's Bench remarked in a rating case, "the rent is no standing rule, for circumstances may differ, and there ought to be regard *ad statum et facultates*." Dr. Cannan records¹ that as late as 1823, in the Parish of St Mary, Whitechapel, the poor rate was not and never had been assessed at an equal pound rate upon all property in the parish equally but by ancient custom, "without respect to value, but according to the ability of the party charged, such ability being estimated with reference to property, whether in the parish or out of it."

Some Features and Consequences

It was natural, however, that farmers and others who derive business profits from the lands or premises they occupy should come to be rated by the value of the land, houses, or premises occupied by them instead of by such estimates as the local authorities could make of the profits they derived from them.

In small rural communities carrying on agriculture by nearly uniform methods, the rental value of the farms affords as good a criterion

¹ P. 79.

of the farmer's means as anything that was likely to be found three centuries ago. Even at the present day a farmer's income, for purposes of the income tax, is assumed to be a fixed proportion of the rent he pays. Similarly, the rental value of shops or factories is not a bad criterion of the means of occupiers engaged in the same trade, and not an extremely bad one of the means of occupiers engaged in different trades. Rental value of the property occupied was thus generally adopted as a basis for estimating the relative ability of the ratepayers.¹

The omission to consider salaries, fees, and wages was likewise a matter which caused little dispute and requires little explanation. In most parishes in the seventeenth century there would not be a single person who had sufficient earnings from mere labour to make him be regarded as one who ought to contribute to the support of the poor, and even where there was such a person, he would, in all probability, occupy a house the annual value of which would make him contributory in about the proper degree.²

Legal Decisions and the Outcome

In the latter half of the eighteenth century there was considerable litigation on the point and the decisions were somewhat contradictory. Lord Mansfield threw the weight of his great authority, whenever possible, against the rating of personal property, but he felt compelled to decide that it was legally rateable where it had been the custom to assess such property. In 1794, however, Lord Chief Justice Kenyon said that there was no doubt that personal property was liable, although in the case before him it had never been rated except for six years, 1769 to 1775; and in 1795 the King's Bench confirmed the quashing of a rate at Darlington because stock-in-trade was not rated, although it was shown that the practice there on this point had varied during the years 1746-94.

Until 1836 the Legislature refrained from clearly and precisely defining the basis of contribution to rates. Then it only adopted what had become the customary method and established uniformity by stereotyping custom in a declaratory Act.

The Parochial Assessments Act of 1836 provided for the assessment of lands and houses, and said nothing whatever about stock-in-trade and personal property. The Poor Law Commissioners and others appear to have considered that this amounted to a repeal of the law which rendered stock-in-trade liable, but the courts decided otherwise in 1839, and in 1840 the Commissioners issued a circular in which they said: "It can no longer be doubted that inhabitants

¹ *History of Local Rates*, p. 80.

² *Ibid.* p. 81.

of parishes remain liable to the poor rate in respect of stock-in-trade, in like manner as they were before the passing of the Act to regulate parochial assessments, and that every rate may be successfully appealed against if any inhabitant having productive stock-in-trade be omitted therefrom."

It became perfectly clear then that it was necessary that Parliament should end the confusion and finally determine, by definite exactment, whether or not persons were to be rateable in respect of their personal property as well as of their occupation of land and buildings. A ratepayer refused to pay his rates on the ground that the rate was an illegal one because personalty had not been included in the assessment, and consequently the amount levied upon him was inaccurate, inequitable, and illegal. The courts upheld his claim. This meant that stock-in-trade and other items of personalty were rateable. In practice they had almost universally slipped out, and the prospect of having to include them was alarming. Parliament had to face the question. It did it in 1840 with hesitation. It passed a temporary measure which was to remain in force for one year, exempting personal property from assessment for local rates. That Act has never been made permanent. To this day it is continued year by year, for a further period of twelve months.¹ If, in any year, it were not re-enacted, personal property would become liable to assessment for local rates.

*How and Why Land and Buildings became the Basis of
Assessment*

The truth undoubtedly is that the poor rate was intended to be a local income tax upon the inhabitants of the parish. It was intended to be a rate levied according to ability to pay. But the difficulties which arose in practice led to the assessment being limited to their *possessions* in the parish. Then it became recognised as convenient and roughly accurate to assess men according to the value of the property *occupied* by them. The rent of farms was deemed to be a fair indication of the farmer's means. The rent of shops and factories was deemed an indication of the profits of traders and manufacturers, and the rent of houses occupied was regarded as an indication of the means of professional and salaried and working people. The plan of assessing the rate only on land

¹ In Scotland people were assessed for the poor on their estimated income down to 1861. Then only those places where the system had existed prior to 1845 were allowed to continue it. It died out in 1880, Greenock being the last Parochial Board to retain it.

and buildings evolved slowly, and for a very long time custom varied in different places and at different periods.

“The cloud which obstructs our vision will disappear,” says Dr. Cannan,¹ “if we once abandon the pernicious modern habit of asking *what* was rateable. It is never things, but always persons, that pay rates and taxes, and in the fourteenth or even the sixteenth century the metaphor which attributes payment to the thing in respect of which the person is taxed had not taken possession of the ordinary mind as it has now. In the simplest form of rating there is nothing in the nature of an assessment or valuation list made up by a modern assessment committee. The total sum to be raised is apportioned directly upon the contributors as the assessors think fit or the common agreement decides. It seems quite clear that in the fourteenth and fifteenth century the accepted view was that each inhabitant should pay according to his ability or substance, for in those days ability and substance meant much the same thing: the man who has a large income without having a large capital is a product of modern civilisation. Something in the nature of a valuation list soon sprang up, not because there was as yet any idea that the things of which a man’s substance consists ought to be rated, but because the assessors wanted some kind of guide as to the relative ability or substance of the ratepayers. In a purely agricultural community, where every person of ability to pay is a farmer, nothing can be more natural than that the assessors, in forming their estimates of relative ability, should consider the number and quality of the acres cultivated by each, and perhaps also the number of sheep and cattle pastured. In a town an equally obvious guide as to the substance of the inhabitants is afforded by the size or value of the houses occupied. When this has once become the settled custom, it is supposed by a natural confusion of mind that the acres and the houses are taxed, and any attempts to carry out the original principle of rating according to ability derived from every source are strenuously resisted by the parties interested.”

Sir Edward Hamilton’s Memorandum

Sir Edward Hamilton, Secretary to the Treasury, summarised the matter very clearly in the Memorandum which he prepared in 1897 for the Royal Commission on Local Taxation.

The original intention of the Poor Rate, which is the foundation of all local rates, and on to which many other rates have been grafted,

was that it should be a contribution from the inhabitants of parishes according to their "ability" or substance; in fact, a sort of local Income Tax. In order to supply some means of ascertaining or assessing relative ability or substance it was necessary to resort to a system of valuation; and in olden days the readiest and most natural basis of valuation to take was the land which the parishioner possessed, or the house which he occupied. Hence annual value became the standard by which the "ability" of householders to contribute to the Poor Rate was to be measured, with the result that receipts derived from movable property slipped through the mesh of the rate net altogether, and the exemption of such property had at last to be legally recognised.

It may be mentioned, by the way, that the Land Tax was similarly intended to be a tax in respect of property, in the widest sense of the term. "Personal estate," including the profits and salaries of persons holding offices, was as much the original object of the charge as landed estate. But, owing to there being no adequate machinery for assessing persons to the Land Tax, in respect of their personal or non-rateable property, such assessment fell into disuse, and the impossibility of enforcing it was finally admitted in 1833 by the Act 3 Will. 4. c. 12.

In short, the system under which rates and also the Land Tax are levied has had to be worked in conformity with the limitation attaching to every law and every intention of Parliament relating to taxation—the limitation of what is practically possible. The result is that the assessment of persons to local rates and Land Tax is now confined to land and the structures thereon, irrespectively of the relative "ability," or means of those on whom nominally or actually the charge falls, except so far as dwelling-houses in respect of which rates are levied are good tests of what people can afford to spend.^{1 2}

The Intention and the Fact

We have dealt at length with the poor rate because it is the basis of all other rates. They are all levied on the same assessment, and for the most part are collected together with, and as part of, the poor rate in one total amount. We have shown that the poor rate was regarded as and intended to be a personal tax on the occupier. In the judgment in *Rowls v. Gells* in 1776 it was stated that "the poor rate is not a tax on the land, but a personal charge in respect of the land." It was not, and is not to-day, a charge

¹ G. 9528 of 1899.

² In the face of these indisputable facts, such statements as the following are a ludicrous travesty:

"The history of Taxation in this country has been a never-ending struggle on the part of the landholders to escape their fair share of national burdens."—"A Penny Tax on Land Values," *Daily Chronicle*, Feb., 1909. The truth is that it was the owners of personal property who continually evaded their burden and transferred their share to the owners of land and buildings.

which follows the real estate without regard to any changes of tenancy, but it is a charge which follows the goods of the occupier wherever they may be found, even if they be in another county. Where there is no occupier to tax, the property cannot be charged, a tax in arrear did not and does not attach to a subsequent owner of the property. An occupier going out or coming in is liable only for so much of the current rate as is proportionate to the time he is in occupation. Further, if, for any reason, the owner is entitled to exemption from rates, and the occupier is not, the liability attaches to the occupier. On the other hand, if the owner is not exempt, but the occupier is, then no rates are payable in respect of the property. In law rates are a personal tax on occupiers. "In strictness it is incorrect to say that land is rateable. The occupier, and not the thing occupied, is rateable. But, as the occupier of land is rateable in respect of that land, it is sometimes convenient, for the sake of brevity, to say that the land is rateable."¹

"But," as the Report of the Poor Law Commissions on Local Taxation (1843) says, "though certain persons only can be taxed, it is still the property alone that determines the liability of those persons; and it is still the value of the property that determines the extent of that liability; moreover, it is a fact unquestionable that in proportion to the burden of the tax is the value of the property, in respect of which it is imposed, diminished. . . . It will be found upon examination that the Poor Rate is in operation a property tax, and not a personal tax."

Thus, while rates were intended to be a personal tax on occupiers and other inhabitants—levied on land, houses, stock-in-trade, and other personal property, they were in reality a tax on owners of property. The laws of political economy were stronger than statute law, and, not being at the time understood, the intention of the law was frustrated by their operation.

¹ Ryde on *Rating*, p. 7.

PART VII
THE INCIDENCE OF LOCAL RATES

“ I feel the deepest anxiety that this question [of who pays the rates] should be thoroughly sifted by every one who takes part in the reform of local taxation.”
—LORD GOSCHEN.

“ We should first endeavour to probe to the utmost the difficult and abstruse question of the true incidence of rates and taxes, and especially of rates.”—Sir ED. HAMILTON.

“ One of the most perplexing questions in political economy.”—LORD FARRER.

“ The baffling problems of the incidence of rates and taxes.”—*Report of Royal Commission on Local Taxation.*

“ There is no problem in the science of political economy which is more intricate, subtle and obscure, or which has been more variously discussed, than the incidence of taxation. It is difficult enough to establish the primary incidence or first blow. It is far more difficult, if indeed it is at all possible, to determine the ultimate incidence or the final blow.”—Sir ED. HAMILTON, *Memorandum for Local Taxation Commission.*

CHAPTER I

INTRODUCTORY

IN discussions on public finance few points are more disputed, and none are more important, than the incidence of particular taxes. By incidence we mean the ultimate resting-place of the tax, and the problem of incidence is the problem as to upon whom the real burden of the payment of the tax ultimately falls.¹ Are prices raised or, what is practically the same thing, are qualities reduced by taxes; and if so, to what extent? Are rates an addition to the rent that would be paid if there were no rates, and if they are a reduction from the rent that would otherwise be paid for the premises, do they fall upon the owners of the land or upon the owner of the building or upon both, and are these persons able to transfer them to any one else? Until we have ascertained upon whom the burden of the tax or rate ultimately falls, no correct opinion can be formed as to its actual effect and consequently as to its expediency and justice.

The person who first pays the tax does not necessarily really bear the burden of it. He may transfer or "shift" it to a second person, and that second person may either ultimately bear the tax or he may again transfer it to some other person or persons by whom it is finally borne. There are three distinct phases which must be carefully distinguished and considered. First, we have the original "impact" or assessment of the tax upon somebody in respect of something: second, we may have the "shifting" or transfer of the tax to others: and third, we have the ultimate "incidence" of the tax when we have discovered the person or persons upon whom the burden of paying it ultimately falls.

There are further phases of incidence, as the term is used by

¹ "The incidence of a tax marks the final payment by the tax-bearer."
—Seligman, *Shifting and Incidence*, p. 11.

"The 'real incidence' of a tax is upon the persons who ultimately pay or provide the money for a tax."—Dr. Cannan, *Mem.*, 1899, p. 166.

some economists, which are even more remote and complicated than those to which we have referred. They are the "effects" which taxes have upon the trade, profits, and incomes of individuals, as the result of the curtailment of the demand for, or the supply of, the articles taxed, or an increase or decrease in the supply of, or the demand for, other articles, caused by the imposition of taxes on the articles which are taxed.¹

The "effects" of taxes are often very far-reaching and extremely difficult to follow in all their ramifications. Strictly speaking, it may be that those "effects" are synonymous with the "incidence" of the tax in the proper meaning of the term, but we shall simplify the consideration of a very perplexing problem if we confine our attention to a more limited meaning of the word "incidence," and use it to signify the final settlement or resting of the actual tax upon the persons on whom the burden of the ultimate payment of it really falls. The indirect effect which the payment of the tax by those upon whom the burden of it ultimately falls has in other directions and upon other persons raises interesting and important questions, but they are somewhat remote from our immediate object and purpose, and in so far as it may be necessary to discuss them at all, such discussion can conveniently be deferred until the preliminary and more immediately pressing question as to who really pays the tax in the long run has been considered and answered. It is only when we have discovered or satisfied ourselves as to the actual incidence of a tax that we can usefully proceed to discuss its wider effects.

Rates are really local taxes. Both are levies made upon certain persons in order to provide revenue for public purposes. We are accustomed to speak broadly and generally of national levies as "taxes" and of local levies as "rates." The real difference, however, is not that taxes are levied by the Government for national purposes, and the rates are levied by local authorities for purposes more or less local. The distinction is in the method adopted in determining the levy. "In the case of a tax, the taxing authority decides that individuals shall make particular payments on particular occasions, and the aggregate sum it receives depends on how much these payments add up to. In the case of a rate, the taxing authority decides how much money it wants in the aggregate, and this amount is raised by apportioning the payment of it between the various

¹ " 'Incidence' here denotes all those effects of taxation with which the economist is concerned."—Edgeworth, *Economic Journal*, vol. x. p. 172.

rate-payers in accordance with some definite standard made for the occasion or already in existence. . . . In the case of a tax, the taxing authority hopes it will get a certain sum ; in the case of a rate it knows that it will get it.”¹ In the following pages we shall often use the terms “rates” and “taxes” as interchangeable terms when we are discussing general principles.

The whole problem of the real incidence of rates and taxes is admittedly a very complex and difficult one, and I approach the submission of an exposition of one section of it—the incidence of local rates—with all deference, fully recognising the difficulties which eminent authorities have felt in attempting to solve it.

The Final Report of the Royal Commission on Local Taxation speaks of “the baffling problems of the incidence of rates and taxes.”²

The Separate Report on Urban Rating and Site Values speaks of “the intricate question of the incidence of rates,” and adds, “We cannot offer an exact solution of this problem—perhaps none is possible.”³

Sir Ed. Hamilton and Sir G. Murray in the Final Report say : “To ascertain where the burthen of taxation ultimately and really rests is one of the most perplexing problems in economic science. . . . A tax may be shifted and reshifted to such an extent that the ultimate incidence has no recognisable relation to the primary incidence.” The marginal note to this paragraph speaks of “the insoluble problem of incidence.”⁴

Lord Farrer refers to the incidence of local rates as “one of the most perplexing questions in political economy,” and says : “The whole subject is one of such difficulty and complexity, that it is impossible to be positive without being presumptuous, or exhaustive without being wearisome.”

Nevertheless, the difficulty must be faced and grappled with if changes in existing methods are to be proposed and discussed with any sound and accurate knowledge of what the present position really is, and what would be the effect of any alterations that are or may be suggested. Unless and until we know upon whom the burden of specified rates falls now, and upon whom it would fall if a particular change in the law were made, we shall think, talk, and act in the dark, and we shall not be able to form any reliable opinion as to whether what is proposed is just and reasonable, and will or will not produce the effects anticipated and desired.

¹ Cannan, p. 4.

² P. 10.

³ P. 155.

⁴ P. 109.

CHAPTER II

RATES "ONEROUS" AND "BENEFICIAL": "CONSTANT" AND "DIFFERENTIAL"

ECONOMISTS are accustomed to speak of some rates as "onerous" and of others as "beneficial." Rates are also sometimes divided into rates which are "constant" and those which are "differential."

It is necessary that we should understand precisely what we mean by these terms before we proceed to use them, because we shall find that any success that may attend our effort to disentangle this very complicated and perplexing problem of the incidence of local rates, will largely depend on the extent to which we arrive at accurate views with regard to the division and classification of the various portions of the charges which make up the total amount of the rates.

Onerous and Beneficial Rates

In the Report of the Royal Commission on Local Taxation, 1901, Sir George Murray and Sir Ed. Hamilton defined as "onerous" those rates which are for expenditure which is national in character, and as "beneficial" those rates which are for services which are local.

They also said: "On the whole we are disposed to think that the best and simplest test which can be applied in order to determine the class to which any particular service belongs is the degree in which the rate-payer or the owner of rateable property derives direct or immediate benefit from it. From the expenditure on the relief of the poor, for example, the direct benefit to the individual rate-payer is probably *nil*. But the provision of sewerage, the lighting of streets, or the removal of house refuse constitute services which not only benefit him directly, but are even provided at less cost than if he had to supply them from his own resources."

They thought that expenditure on Poor Relief, Police and Criminal Prosecutions, Sanitary Officers' Salaries, Main Roads,

Bridges, and Education was national and "Onerous"; and that the expenditure on all other services administered by Local Authorities was local and "Beneficial."

In an article in the *Economic Journal* (1893), Sir George Murray said :

Taxation may be considered as representing either (a) duties imposed on the individual for the benefit of the community at large, or (b) services rendered to the individual by the community."

The former class of taxes may be described as "onerous," and the latter as "beneficial." If the rate-payer gets a larger return from the payments which he makes than the average member of the community, the expenditure is to that extent beneficial to him : and in proportion, as the direct return diminishes, the rate becomes "onerous."

Dr. Cannan, in his history of *Local Rates in England*,¹ says :

Expenditure out of rates receives the name of "beneficial" if its direct effect is sufficient to more than counter-balance the opposite effect of the addition to rates, so that in spite of the addition to rates, it tends to cause an actual rise in the value of immovable property, while expenditure out of rates which depresses the value of immovable property is called "onerous."

A Definition and Explanation attempted

As this definition appears to exclude from both categories all those rates the benefit from which, resulting to the occupier or owner of the rated premises, is equivalent to the payment made, and therefore neither increases nor decreases the value of the property,² we prefer to define the terms "onerous" and "beneficial," as applied to rates and the expenditure of them, thus : "Onerous" rates are those local charges or levies incidental to the ownership or occupation of rateable property which are made to defray expenditure which is of a national or general character, and does not directly increase the value of the property in respect of which the rates are levied or benefit the persons paying the rates, beyond the extent to which such expenditure tends to maintain the value of all property and benefits the public at large by securing good government, public, private, and personal security, and general comfort and convenience. Such rates are levied to promote the general well-being. As they are levied upon selected persons and in respect of one class of

¹ Second Edition, p. 180.

² Presumably, under Dr. Cannan's definition, these rates would have to be classed as "neutral."

property only, they are a burden and tax upon those upon whom they fall. They do not fall in proportion to the benefit which the individual who pays derives from the services towards the cost of which he thus compulsorily contributes. Such rates are, therefore, taxation — necessary and proper, but “onerous” all the same. The rates levied to defray the costs of Poor Relief, Police, Main Roads, and Education are examples of “onerous” rates. That portion of rates, the expenditure of part of which is “beneficial,” which is in excess of the benefit which accrues to the property assessed, or the person who pays, is also “onerous.”¹

“Beneficial” rates are those local charges for services from which the occupiers or owners of rated property derive direct benefit. The rates levied to meet the cost of paving, lighting and cleaning streets, sewerage, and the removal of house refuse represent services which are a necessary adjunct to the occupation of the premises in respect of which the rates are paid. Those services are supplied by the local authority at a cost which is probably less than the individual would have to incur if he had to provide them for himself. In any case it is certainly more convenient that the community should undertake them. They add to the value of the premises to the occupier, and in so far as the added value equals or exceeds the payment for them the rates for those services are “beneficial.”

It is not possible to make a strictly accurate and precise division into these two categories of all the services which local authorities provide, but the broad distinction between the two classes is a real one, and its bearing upon some phases of the rating problem is important. There is, for instance, obviously a very clear difference in character between a rate for the relief of the poor, and one for removing house refuse, and constructing and maintaining sewers.

Constant and Differential Rates

The division between the two other categories of “Constant” rates and “Differential” rates, into which rates may be divided, takes a line which differs from that which separates “onerous” from “beneficial” rates.

“Constant” rates are those portions of the rates on property which have to be paid wherever the property may be. They are

¹ “A burden is some duty or task or payment exacted without any equivalent benefit being received in return.”—Sir George Murray, *Economic Journal*, 1893, p. 701.

the minimum amount of rates which the ratepayer will have to pay on a similar property wherever he goes.¹ He cannot avoid them. He will pay them anywhere.

“Differential” rates are the rates which are in excess of the “constant rates,” and are payable in respect of the property because it is where it is. They vary much, both in rate in the pound, and also in total amount on similar properties in varying localities.

*Are Rates which are Equivalent to the Benefit received
Burdens ?*

Following up the distinction between “onerous” and “beneficial” rates, to which we have referred, it is customary to say that, in so far as the benefits derived by individual ratepayers from the services rendered by public authorities equal in pecuniary value the rates or charges paid for them, there is no taxation in the strict sense; there is simply payment for service rendered and benefit received. Many of the local services do for the occupier what he would otherwise have to do for himself or suffer the inconvenience of going without them. The services are rendered more cheaply and efficiently than each ratepayer could provide them for himself. It is a matter of economy, efficiency, and general convenience that the local authority should supply them and charge for them. They have been described as “a wholesale instead of a retail transaction.” As the tenant or ratepayer gets what he pays for, just the same as if he bought a pair of boots or a joint of meat, or paid a tram, railway or cab fare, no question of incidence, of taxation, or onerous burden arises.²

If it were decided to add to the benefits by, say, supplying food,

¹ By this is meant “wherever he goes in this country.” Whether he could entirely avoid rates or their equivalent expenditure by going to some other part of the world—which is very doubtful—is a point which it is not only almost impossible to determine, but is also so remote as to be of no practical importance.

² “So far as the proceeds of a rate are expended in increasing the utility and value of the house, the payment of it need not be regarded as a burden at all.”—Professor Sidgwick.

“In so far as the outlay of rates is reproductive in adding to the value of the houses in the district, they may be said to come out of a fund created by their employment and thus, to adapt a phrase of J. S. Mill’s, to be ‘paid by no one.’ The ‘rate’ becomes a ‘fee’ instead of a ‘tax,’ and cannot be counted as a burden in the same way that it otherwise would.”—Professor Bastable, *Mem. Loc. Tax. Rep.*, p. 141.

“If a tax falls in exact proportion to the benefit conferred in respect of such tax, there is no incidence of taxation in the strictest sense, because taxation has not occurred. Payment for services rendered has occurred and nothing else.”—Sir G. L. Gomme, *Mem. Loc. Tax. Rep.*, p. 317.

the rates would be increased, but if the rates levied on each house corresponded to the value of the food received and consumed those extra rates would not be an additional burden. They would not be a tax. They would simply be payment for articles supplied and service rendered. They would not add to or diminish the value of the property. If they were levied on the owner he would get a corresponding addition to his rent because the supply of food would add that value to the occupation of the premises.

Sometimes they are

But is it quite clear that no question of incidence or onerous burden arises with regard to beneficial rates? The services may be extremely desirable, and, indeed, necessary; they may be entirely local and largely personal; and the rate levied to defray the cost of them may be distinctly beneficial because it secures the rendering of necessary services more efficiently and economically than they could otherwise be obtained. But that does not end the matter. The services may be necessary and they may also be burdensome. Full value may be given to the individual for the payment made by him, but the fact that the services are necessary and consequently that the expenditure is required, may be due to the locality in which the premises are situated and the conditions which surround it and attach to it. For instance, it might be that a river or other long stretch of water had to be crossed in order to get from the locality where the premises were to the railway, market-town, or mainland. A ferry would be a necessity. The most economical and efficient method of providing it might be for the local authority to undertake the service and levy a rate to cover the cost. That rate would represent a beneficial local service to each inhabitant. All the same it would be a burden and a tax, because it would be a charge, a cost, arising from the special circumstances of the case: one which residents elsewhere would not have to pay. It would be an onerous burden on that particular locality, and the question as to the incidence of that burden would certainly arise.

There is really no difference in principle between the cost of such a ferry and much of the cost of services which are necessary in thickly-populated urban localities: services which are not required in rural districts, and are only required in those urban districts owing to the special conditions and necessities which thickly-populated areas create. Consequently, though the services

are necessary and the rates which provide the cost of them represent beneficial local expenditure, they are a burden which is necessitated by the conditions prevailing in the locality, and the question as to the incidence of that burden is an important one and will require consideration.

The Incidence of Onerous Rates

It will simplify the discussion of the problem we have before us, if we now proceed to direct our attention in the first place to the incidence of those rates which are usually described as "onerous," as distinct from those which are termed "beneficial," and ask: On whom do onerous rates on houses and business premises really fall? In the case of ordinary commodities, where there is no monopoly, the broad, general rule is that taxes on them are passed on to the consumer,¹ because the production of the commodities must yield a commercial return, or their production will be reduced until they do. Competition will not permit more than a commercial return. There is, therefore, no margin in the price out of which producers will permanently pay a tax. It must be added to the price, or the commercial return will be reduced, with the result that production will be curtailed, and the price will again rise to the requisite remunerative standard, which must show a commercial return plus the tax.

Buildings apart from the land are manufactured articles. They must yield a commercial return to the builder, or the erection of them will cease. In the long run, and on the average, buildings will and must yield no more and no less than such a return.² Therefore, any rates or taxes levied on them must be passed on to either the occupier or the owner of the land on which they stand.

Onerous rates levied on houses would be paid by the occupiers—the consumers—if land also were a manufactured article, a pro-

¹ It is true that taxes on commodities also tend to some extent to be diffused over the whole community, because, as they either raise prices or reduce profits, they alter the direction in which expenditure and capital flow. They do so because it is optional to people to produce the commodities, or to go into the occupations which are affected, and they will cease to produce those goods or to go into those occupations which, by taxation, are rendered less remunerative and attractive than others, until their withdrawal or abstention has increased the profits, and restored the balance. But the effects of this tendency are so remote that they may be ignored in the discussion of the particular problem which we are considering.

² "By universal consent it is agreed that where the tax is an exclusive tax (as in the case of the local rates) or a special tax (as in the case of the inhabited house-duty), the building owner will not bear any part of the burden."—Seligman, *S. and I.*, p. 301.

duced commodity, and its value represented capital, labour, and material employed in making it. The building value of land (apart from the expenditure upon it to prepare it for being built upon) does not represent anything of the kind. It is a special value. When the building value of land exceeds the agricultural value, there are no factors in that portion of the price which is above the agricultural value, which represent any fixed necessary value, any point of resistance below which the price cannot permanently fall, or up to which it must rise, if the supply of it is to continue to be produced. In this respect, the value of building land differs fundamentally and entirely from the value of all produced commodities.

The Peculiar Characteristics of Land

The quantity of land is fixed, and no withdrawal of capital from investment in it will reduce the supply of it. It can only be sold at building value by accepting a price which will enable the builder to sell or let the premises at the market rate, and obtain a sufficient margin to give him a commercial return on the building, after the rates on the whole property have been paid.

The national services which the expenditure of onerous rates provides, do not add to the value of land and buildings as such, as distinct from other classes of property and other sources of income. Those rates being levied on that class of property only, are therefore a burden: and they are a burden which under present conditions cannot be evaded when the property is occupied and is yielding a revenue. On which of the three parties interested in the property—site-owner, building-owner, or occupier¹—do they fall?

In the ordinary way the effective weapon that enables a consumer to resist and avoid the payment of a tax on a commodity is his ability to do without the article, and use something else which is not taxed, or is taxed very much less. Are all, or any, of the parties interested in buildings in that position? Can they go elsewhere? If they can, to what extent can they escape the rates in question?

Builders and occupiers of houses are owners or users of capital, or makers of payments which they are more or less free to employ or make elsewhere. They are not bound to a particular site. The owner of land is not in that position: he cannot transfer his land

¹ In the case of business premises, so far as rates fall on the occupier, the possibility that some portion of them would be shifted on to his customers would have to be borne in mind.

to some other locality, not even to the next street ; nor can he put it to more remunerative use where it is, than for building purposes, if the building value be in excess of its agricultural value.

As the owner of building land cannot take it elsewhere, and cannot use it more profitably than for building purposes ; and as in addition, there is no point of resistance, analogous to cost of production, to prevent the price of his land or land that competes with it from falling permanently below a given minimum, that portion of the site value of property which is in excess of the agricultural value of the land would appear to be the squeezable and fluid factor in the total value upon which the burden of rates will tend to fall.¹ The precise extent to which this is so will be more clearly appreciated as we proceed.

Houses on cheap Land of only Agricultural Value

Houses built on the lowest priced land available—land of no more than low agricultural value—are “ the marginal product ” and the price of the whole supply of houses is based on the relation which the special advantages of the site on which they stand and the cost of erecting them in that position bear to the price at which houses at the point of the marginal product can be supplied.

To the extent of its agricultural value, building land has a definite value altogether apart from and independent of its building value, and it will never, in the ordinary course, be sold or let for building land at a lower price than it is worth as agricultural land.

Consequently, if land be sold or let for building purposes at its agricultural value, the rates that will be levied on the property, when the premises have been built, in excess of those which would be levied on the land alone as agricultural land, will fall on the occupier, because the owner will not consent to any deduction from the price or rent which he could obtain for the land for agricultural purposes, and the builder will require a commercial return for the building.

¹ “ The builder calculates on a certain profit or else he would not build : he knows that tenants of a certain class can afford to give a certain rent and no more for a certain kind of house ; and therefore if building is to take place at all, it is clear that the rates must fall there where alone a margin exists to bear them ; that is to say, on the price given, or ground rent promised to the owner of the soil.”
—Lord Goschen in Draft Report for the Select Committee on Local Taxation, 1870.

Houses on Sites which have a Building Value

When land is sold or let for building purposes at more than its agricultural value, or its value for any other purpose, the position is altered. The extra value of the land, beyond its agricultural value, arises from its position. An occupier would pay for the premises on that land the additional price which represents the full extra value which the position of the site gives it, if the rates he had to pay there were no more than those which he would have to pay for similar premises on the cheapest land available anywhere.

In so far as the rates on the premises in the more favourable position are more than they would be on premises on the lower priced and less favourably situated site, they will be a set off against the more favourable position of the better site, and will, to the amount of the excess, reduce its value.

The additional cost of the more favourable site to those who occupy the premises erected on it will be the extra amount of the rent of the land, plus the extra amount of the rates, and premises will not be occupied or erected there in preference to the lowest priced site available, unless the position of the more favourable site is worth at least as much more than the other as the extra rent and extra rates combined amount to. As the land-owner will only receive the extra rent, or its equivalent, the extra rates are deducted from the extra value of the site; that is, they come off the building value of the land, and, therefore, are allowed for and really paid by the land-owner. Mr. Sargant (now Mr. Justice Sargant) illustrated this point thus:—"Suppose an occupier is deciding between two houses—one in the country £100 rent, no land value, rates 2s. in £, or £10: one in London, rent £150—£100 for house, as in the other case, and £50 for site, rates 5s. in £ or £37:10s. This house will, therefore, cost him £77:10s. more than the other, and he will not pay that extra unless the position is worth—not £50 but £77:10s. more than the country one. Clearly the £27:10s. comes off the site value and reduces it from £77:10s. to £50, and is deducted therefrom by anticipation."¹

This is the position with regard to the site which has acquired a building value somewhat in excess of its agricultural value. Precisely the same principle applies through every grade in value, right up to the most valuable site in the centre of the City of London.

Of course, it is not suggested that any one who is contemplating

¹ *Urban Rating*, p. 48.

erecting premises on one of the most expensive sites in the City of London ever considers, as a practicable alternative, building it on Dartmoor, or in some other distant part, where the cost of a piece of land for a site would be so small as to be practically negligible. What does occur is that such a person does consider less expensive sites in the City, and satisfies himself that the one he selects is worth the extra cost beyond what would be the cost of other less expensive ones. Others, who build on the less costly sites, compare their cost and value with others still less expensive : and this goes on through every grade of value until those sites are reached to which the lowest priced and lowest rated ones are alternatives.

It is necessary that we should bear in mind, throughout the discussion of this question, that there is a great difference between the price which a builder will pay the owner for a site, or the price at which a site would sell if the buildings on it were pulled down, and the full value of the position it occupies. The price at which the site will sell, or would be valued for rating purposes, is the net or market value—the price the owner will get for it. The full or gross value of the site to the user or occupier of it is what he pays for it, and that is the price the owner gets for it, plus those rates and taxes and other charges which attach to it, because of its special position. Those rates, etc., are, therefore, a deduction from its full value—a deduction which falls on the owner, because he only receives the net price.

Differential Rates

When referring to the distinction between “onerous” and “beneficial” rates, earlier in this discussion, we remarked that it is customary to say that when the benefits derived from the services rendered, for which the rates pay, are equal in value to the rates which are paid for them, there is, strictly speaking, no taxation and no onerous burden : there is simply payment for value received. We expressed the opinion that when some aspects of the problems connected with rating and taxing are under consideration, this may be true ; but we pointed out that a rate for which full value is received in beneficial service may also be a tax and a burden, the incidence of which it is important we should determine.

When we consider the question from the point of view of the incidence of the extra cost which is involved in the form of rates when a house is occupied in a town, as compared with what the rates would be on a house of the same value on land of negligible

value in a low-rated rural district, other considerations than those of payment for value received arise; and we must bear in mind, not only that the rates will be heavier in the town, because (1) the total assessable value of the house and site will be higher, owing to the higher value of the site; and (2) the rates will be much more in the £; but also that the whole of some and much of other services, for which heavy rates are levied, are necessary in the town, but are neither required nor provided in the country. There is no sewers rate in the country, and the costs in lieu of it are small. There is no cost of removal of house refuse. The cost of the maintenance of roads and footpaths is much less, and there is no expenditure for lighting them. These are some of the charges on property in towns for services which are necessary there, but they are necessary because conditions prevail which are closely connected with and, indeed, are inseparable from high site values. They are, therefore, a set-off against and a deduction from that value, and, consequently, fall upon the land-owner.

Differential Cost of Building

There is a further consideration, and that is that the cost of building a house of the same size, and providing the same accommodation is greater in a large town than in a country district. The building regulations are much more stringent, and add very considerably to the cost, wages are much higher, and the conditions under which the work has to be done add to the cost. Size for size, and accommodation for accommodation, a house in a large town will cost 20 per cent more to build than one in a country district. This means that the rent of the building alone will be 20 per cent higher, and all the rates will be on a correspondingly higher assessment. This is all extra cost involved in using the more favourable site, and is a set-off against, and a deduction from, its value.

The Incidence of Differential Rates and Costs

Just as rent, as political economists use the term, represents the superior advantage which a given piece of land has in situation, including therein facilities for business and ease of access to markets, or in quality, character or conformation, over the least favourably placed or constituted land which the conditions of supply and demand render it possible to use, so all rates, taxes, and charges, which have to be paid in respect of the occupation or use of any

land and the premises on it, because of its special position and value—that is to say, all rates, taxes and charges which are in excess of those which would have to be paid in respect of the same area of land and similar premises in the districts where these burdens would be the least—are a deduction from, and a set off against, the special value of the more favourable land. They are disadvantages attaching to the occupation of that land which, to the extent of the amount of them, diminish and counterbalance the value of its advantages, and the rent or price which is actually paid to the owner for the land is arrived at by deducting the cost of these disadvantages—the extra amount paid in taxes, rates, and charges—from the full or gross value of the advantages of the site.

Summary of Conclusions

The position, as regards the incidence of local rates, at which we have now arrived is this :

1. The occupier of a house on land, which has no higher value as a building site than its agricultural value, will have to bear the cost of all the rates, payable in respect of the property, which are in excess of those which would be payable on the land if it were not built on. Such of the rates so payable as are “beneficial” are not a burden. The real burden is the amount by which the “onerous” rates on the premises exceed the rates of all kinds that would be payable on the land if it were not built on. That portion of the burden remains on the occupier. He cannot shift it. It is of the nature of “a consumer’s tax.”

2. In the case of premises, the site of which has a building value considerably in excess of its agricultural value—

The occupier will have to bear the cost of the rates that would be payable on a similar house in a low-rated district, where the land was of no more than agricultural value, less the amount of the rates that would be levied on the site in the low-rated district, if it were agricultural land. Of the portion of the rates thus payable by the tenant only those which were “onerous” would be a burden.

The land-owner will have to bear, as a deduction from the full or gross value of the site in order to arrive at its letting or selling value—

All the rates that would have fallen on the site if it were used as agricultural land ;

All "onerous" rates payable in respect of the premises in excess of those which would be payable on a similar house in a low-rated agricultural district ;

All the rates payable in respect of the property which, though they are "beneficial" rates in the ordinary sense of the term, are the cost of services which are rendered necessary by the position of the property, and would not be required or would be less expensive in a sparsely populated district.

The general principle which emerges is that the occupier has to bear that portion of the rates which he would have to pay wherever he went, and the land-owner has to bear the burden of all the rates which the occupier could avoid by going to a district where the value of the land would be very small, and the rates he would have to pay on the building would be low. This is subject to the proviso that the extra rates will not fall upon the owner of the land until the clear net price or rental receivable by him for the land as building land exceeds the price or rent he could get for it for any other purpose.

This conclusion is practically the one arrived at by those Commissioners who signed the separate Report of the Royal Commission on Local Taxation on Urban Rating and Site Values, 1901.¹ They said :

The main principle of the incidence of rates is that the tenant has to bear that part of the rates which he cannot avoid, go where he will, but the lessor has to bear the real burden of all rates which the tenant could avoid by going elsewhere.

An Illustration

The working of the principle may be illustrated and put into figures by comparing two properties—houses of similar size on sites of the same area, say 18 to the acre, one in a low-rated agricultural district, and the other in a large town—thus :

Country House—

Site at agricultural value—annual value of $\frac{1}{18}$	£ s. d.
of an acre, say	3 0
House—costs £500—annual value	30 0 0
Rates, 3s. in the £, say	4 10 6
Cost to tenant—Rent and Rates ²	34 13 6

¹ P. 156.

² The amount of the rates that would be levied on $\frac{1}{18}$ of an acre of agricultural land, if it were not built on, is so small that it may be ignored.

£ s. d.

Town House—

Site—land at £1500 an acre—annual value	£3 10 0
Site—Annual return on cost of developing the estate, making roads and sewers, etc., say	1 10 0
	5 0 0
House—costs £600—annual value	36 0 0
Rates, 7s. in the £	14 7 0
	55 7 0
Cost to tenant—Rent and Rates on Lease	55 7 0
Cost to tenant of similar house in agricultural district	34 13 6
	20 13 6

That extra cost is the extra annual value of the site in the town beyond the value of a site of similar size in an agricultural district. It is the extra payment the tenant has to make for it. It is the extra value fixed by the higgles of the market. It is the total or gross extra value. That extra annual value is absorbed thus :

	£ s. d.
Annual value of extra cost of building the house, making roads, drains, etc.	7 10 0
Extra or “differential” rates	9 16 6
Extra annual cost of the land	3 7 0
	20 13 6

The portion of the gross extra annual site value of £20 : 13 : 6 that goes to the land-owner is £3 : 7 : 0 a year, apart from the return upon the outlay for roads, drains, etc., if he made them.

The proportion of the whole of the rates which falls on the site value of the town house in this case is more than two-thirds.

CHAPTER III

RATES AND THE PRICE OF LAND

THE amount which a person who is buying a house will give for it depends, as a rule and except in the case of special properties, on the amount of rent for which it will let. The amount which a builder can get for a house, therefore, depends on the rent obtainable for it, and the price which a builder can pay for land—either as ground rent or for the purchase of the freehold—will depend on the price he can obtain for the property when he has built the house. He will not build unless the price he can obtain will leave him a commercial return for his outlay, his skill, and his time. The amount he can pay for the land will be such as will enable the price he can get for the property to show him a commercial return.

As the price a builder can get for a house depends on the rent for which it will let, and he will not buy or lease land and build the house unless the price which he can get for it shows a commercial return, the price which he can pay for the land really depends on the rent for which the house, when built, will let.

The rent for which the house will let, when built, will be the market annual value of the property; and that annual value will be made up of the total of:

1. The full or gross value of the position, and the benefits accruing therefrom.
2. The value of the building.
3. The value of the public services attaching thereto.

Less

- (a) The extra annual rent of the building owing to the extra cost of building in that locality.
- (b) The amount of the rates and taxes payable by the occupier

for the house where it is, in excess of the amount that would be payable for a similar house and similar services (so far as they would be required) in a low-rated district where land is cheap.

The part of the total gross value of the property off which these deductions come is the site value. They cannot come off the value of the building. They fall upon the owner of the site, because they represent cost which arises from and is incidental to its special position. As it is the special position of the site that gives it its extra value, all special costs, rates, and taxes which also accrue because of the special position of the site, are a set off against that extra value. The net market value of the site is its full gross value, less the extra costs and rates which are involved in using it, and are inseparable from it.

The net value thus arrived at is the price the builder can pay for the site.

Rates which reduce the Value of the Land

Clearly, therefore, the extra rates which are payable on a house in a town in excess of those which would be payable on a house of similar size in a rural district, where rates are low and land is of little value, fall upon the owner of the site and are deducted from the amount which he would otherwise receive for his land.

The fact that rates *per se* reduce the value of property, and are a deduction from the rent which would otherwise be obtained, is obscured and concealed by the obverse facts :

1. That rates wisely expended for beneficial purposes add to the value of property, and consequently the payment of those rates is counterbalanced by the added value, with the result that there is neither increase nor reduction in the rent actually paid.
2. That when the rates are more or less onerous, and consequently expenditure of them does not increase the rent which an occupier is willing to pay, they are usually caused by or are coincident with developments in the locality—increase of population and business—which do increase the value of property, with the result that the payments are again balanced.

The factors and conditions which tend to increase the value of property usually counterbalance, and frequently more than counterbalance, the effect of the rates in decreasing its value. All the same,

the rates are a definite and unquestionable deduction from the value of property, just as public and private improvements and expenditure and growth of population do unquestionably and definitely add to that value. Many people clearly perceive the latter, but entirely overlook the former fact.

Rates do not come off the Value of the Building

If it be suggested that part of the onerous rates falls on the building as distinguished from the land, and that an increase in those rates reduces the value of the building, as well as the value of the land, it will be seen that this is not so, if we consider what the position would be if the building was cleared off the site.

Take the case of a house, the rent of which, on lease, is £75 a year; the ground rent is £15 a year; £60 is the rent of the building. The capital value of the building may be put at £1000. Supposing it to be modern, and in thoroughly good repair, so that its value would be the price at which it could be replaced. The rates are 6s. 8d. in the £, or £25 a year. The total cost of the house to the occupier is therefore £100 a year, and that must be assumed to be its market value for occupation.

If the rates were increased to 8s. in the £, and the extra 1s. 4d. in the £ were onerous rates, representing expenditure which did not increase the value of the property, and no other change occurred in the conditions or surroundings of the property, the effect of that addition of 1s. 4d. in the £ to the rates would be to reduce the rental value of the property from £75 to about £71 : 10s., at which figure the total cost of the house—rent and rates combined—would remain at about £100.

As the value of the building was £1000, and it would cost that amount to replace it, the rental value of the building alone would remain £60. The balance of the rent—£11 : 10s.—would, therefore, represent the value of the site. That is to say, if the site were cleared, owing to the building being destroyed, by fire or earthquake, and the erection upon it of a house similar to the one which had been destroyed was the most profitable use to which it could be put, the rent which could be obtained for that site would be £11 : 10s. and not £15.

As the utmost that could be got for the house—rent and rates combined—would be £100 a year, and the rates were 8s. in the £ on the rental value, the rent could not be more than £71 : 10s. As it would cost £1000 to build the house, and it would not be built

unless it could show a return of 6 per cent, or £60, the utmost that a builder would pay for the ground would be £11 : 10s. a year. In other words, the £3 : 10s., or thereabouts, of extra rates would come off the value of the land.

The fact that it did so come off the value of the land would be disguised so long as the house stood and the old lease endured, because the old ground rent of £15 would continue payable, and the owner of the building would have to be content with a less return than 6 per cent on his investment ; but that would be, not because the extra rate really fell on the building, but because he was the temporary owner of both land and building, and was under a contract which compelled him to pay more for the land than, under the changed conditions, it was worth.

Precisely the same principle applies when the total value of the property increases more than sufficient to counterbalance the effect of the increase in the rates. When that is so, it is still the site, and not the building, which has increased in value, but as, under his lease, the leaseholder has not to pay any more ground rent than before, he gets the whole of the increased rental value of the property as an increased return on his investment in the building.

It is only by assuming that the buildings have disappeared, and the site is cleared, and that nothing else affecting the value of the property has occurred, that the real effect of the increase in the rates can be seen clearly.

Incidence of Rates when Buildings are erected

It may, however, be said that “ as soon as land is built on the rates are enormously increased. The greater part of the increased assessment is based on and caused by the value added by the building, and is only levied when the building has been erected. Those additional rates, beyond the small portion levied on the land before it is built on, clearly fall on the building, are a tax on building, and check the building of houses.” This is a plausible, but largely fallacious view.

That the creation and occurrence of certain conditions is followed by the levying of a much larger amount in rates does not necessarily mean that the burden of those rates falls upon those who create and cause the conditions. The truth in this instance is that the fact that additional rates will be payable when the land is devoted to the purpose which gives it its special value is, as we have shown, fully taken into account when the land is sold or let for

building purposes, and correspondingly reduces the price which would otherwise be paid for it.

A tax on all houses and buildings is a tax on the use of land for the purpose of erecting houses and buildings on it, and in so far as land which is required for buildings is usually more valuable, for the reasons which cause it to be so required, the additional taxes which fall upon the property when it is so used are a set-off against the extra value of the land. As Lord Goschen put it in his Draft Report for the Select Committee on Local Taxation in 1870 :

To sum up the case of house property generally, it appears that the owners of building land, like the owners of other land, have to submit to a reduction of rent equivalent to the average amount of rates which the builder or other lessee calculates that he would have to pay according to the average of past rates.

Site value is purely a matter of the value of one position for particular purposes, as compared with others. There are a number of sites available, but some are more suitable than others. Competition in the market fixes the value of any one of them. That value does not include the onerous rates. They do not add to the value. They are a deduction from it. The land is, in fact, sold or let with the knowledge that the property will be subject to a largely increased annual payment for onerous rates by the user of it when it is built upon, and it is worth that amount less in consequence.

The number of sites possessing given advantages or qualifications is limited. The extent to which the building value exceeds the agricultural value is the measure of the advantages for building purposes which that land has over other land which can be had at agricultural value. That value is kept down by the amount of the onerous rates that will be levied upon the property when the house is built upon the land.¹

¹ Mr. Harper, Chief Valuer at Somerset House, as a member of the Departmental Committee on Local Taxation, 1912, examined Mr. H. Trustram Eve, the well-known surveyor, and, speaking of a building agreement with bare land Mr. Harper put it to Mr. Eve that "the burden of the rates hereafter to be calculated on the value of the site and structure combined, so far as it can be foreseen when the ground rent is fixed, is taken out of the value of the site?" Mr. Eve replied, "Yes." (Question 3464.)

"When the builder is bargaining with the freeholder to fix the ground rent he has in his mind the probable amount of rates that will be levied on site and structure together, and he succeeds in getting a lower ground rent in consequence of the burden?" "I agree." "Therefore, to that extent at that moment the incidence of future rates is anticipated?" "I agree." (Questions 3468-9.)

The Actual Value is Rent plus Rates

Throughout the discussion of this question it must be assumed that the rent at which premises are let is their market value, and that this value is determined by the ordinary laws of supply and demand. The landlord gets as much as he can ; the occupier pays no more than he must. The higgler of the property market settles the value of premises at a figure which is as high and as low as the supply of and the demand for premises in each particular locality will allow. The real cost of the premises to the occupier is the rent he pays plus the rates and taxes which attach to the occupation of them. When the occupier decides whether the house is worth the cost, and whether he can afford it and will take it, it is this total cost, rent and rates combined, that he considers. Whether he takes the rates into account accurately or not is not to the point. He uses his judgment and to the best of his ability he allows for them. Some occupiers may be foolish and careless in this respect as in others, but the great majority are not so. As Dr. Cannan says : " Some people, of course, are fools enough to do anything, but there are not fools enough to affect the matter. The action of the people who do affect it is guided by common sense."

Mr. Sargant illustrated the point thus : If an intending occupier considers a shop in Cheapside worth £500 a year more than one in Edgware Road, and the rates in both places are 5s. in the £, he will not pay £500 more for the Cheapside shop because, with the rates, it would cost him £625 more and is only worth £500 more. He would pay £400 more rent, which, with rates, would bring the cost to him up to £500.

Rates influence Rents

Sir H. Hunt, in his evidence before the Select Committee of the House of Commons on Local Taxation (1870), gave cases where in London (Tachbrook Street and Lowndes Square) sides of streets and squares were in different parishes, and had different rates, with the results that the rents of similar houses in the same streets and squares varied accordingly.

It must be true as a general rule that if a tenant is prepared to pay a given sum in rent, and also to undertake the liability of so much in rates, he would be able and willing, if exempted from the payment of the rates, to pay a sum equal to the rent plus the rates. (*Rep. of Select Com. on Town Holdings, 1892.*)

There is overwhelming testimony to the fact that in entering upon

a tenancy building lessees invariably take the amount of rates into account, and that ordinary occupiers on the whole, and as a general rule, do the same. Some tenants may be careless, some ignorant, and a good many may disregard the last 2d. in the £. But the general principle is no more disturbed by such accidents than the principle that such a reduction of the tea-duty goes to benefit tea-drinkers is on the whole disturbed by the fact that some people buy tea carelessly and ignorantly. (*Loc. Tax Com., Separate Report on Urban Rating and Site Values*, by Lord Balfour and others, 1901, p. 156.)

An interesting light is thrown upon the subject of the real incidence of rates in the Poor Relief Act 1819, which in s.19 provided that the rates for small properties might be levied upon owners instead of occupiers in order that local authorities might avoid the difficulties and the waste and risk of loss in the collection of those rates. The section recites that :

In many parishes, and more especially in large and populous towns, the payment of the poors rates is greatly evaded, by reason that great numbers of houses within such parishes are let out in lodgings, or in separate apartments, or for short terms, or are let to tenants who quit their residence or become insolvent before the rates charged on them can be collected : and it has been found that in many instances the persons letting such houses do actually charge and receive much higher rents for the same, upon the ground and expectation that the occupiers thereof cannot be effectually assessed to the poors rates, and will not be charged with or required to pay such rates, and do thus obtain an undue advantage to themselves, etc.

That is to say, the owners of houses where the tenants were able to evade payments of the rates got a higher rent because that evasion was possible. When the occupier evaded the rates the owner got a higher rent out of him.

At the present time the owners pay the rates direct on a very large proportion of house property. In London they do so on more than 60 per cent in value— that property being let at a rent which includes rates and taxes. It was estimated by Mr. Sargant in his evidence before the Committee on Town Holdings, 1890, that, taking the country as a whole, three-fourths of the occupiers do not pay their rates directly. In every case, of course, the rent is correspondingly higher when the owner pays the rates. In such cases it really makes no difference who actually pays the rates to the collector—the owner or the occupier—the net result to both is in the long run practically the same.

CHAPTER IV

THE OPINIONS OF POLITICAL ECONOMISTS

THE Royal Commission on Local Taxation which reported in 1901 sought the opinion of a number of the leading Professors of Political Economy and other authorities in the hope, no doubt, that under the guidance of those eminent men they would be able to arrive at some clear and definite solution of "the perplexing problem" of the real incidence of local rates. If that was their anticipation they were disappointed, because after they had received a large number of interesting and lengthy memoranda on the subject from these gentlemen, we find them, in their Final Report, referring to "the baffling problem of the incidence of local rates and taxes."

Few people who read those Memoranda through from beginning to end will fail to sympathise with the state of "confusion worse confounded" in which the Commissioners evidently found themselves after they had to the best of their ability digested and assimilated the conflicting opinions and theories which the leading authorities in political economy placed before them. The Blue Book in which those opinions are published is well calculated to whiten the hair of any ordinary man who attempts to master it, and to leave him with the conviction that he has indeed embarked upon the study of an "insoluble problem."

The Select Committee on Town Holdings (1892) did not feel able to say more than that "The real as opposed to the apparent incidence of Local Taxation in towns falls partly upon the owner of the land, partly upon the house-owner, and partly upon the occupier. The proportions in which the burden is distributed are difficult to determine."

The Majority Report of the Commission on Local Taxation (1901) adopted and endorsed this opinion and added: "It is impracticable to lay down any general rule as to the proportions in

which the burden is distributed, or to determine it in individual cases."

The Commissioners who presented the Separate Report on Urban Rating and Site Values said: "We cannot offer an exact solution of this problem—perhaps none is possible." They did, however, in my opinion, get very close to the true solution when they said: "The main principle of the incidence of rates is that the tenant has to bear the burden of that part of the rates which he cannot avoid, go where he will, but the lessor has to bear the real burden of all rates which the tenant could avoid by going elsewhere."¹ They also expressed the opinion that the tenant can avoid the rates on site value by going to an outlying district where that value is negligible: but he will have to pay rates on his house wherever he goes, and that portion will stick to him, though he will probably shift on to the owner that portion of the rates on the building value which is exceptionally high if the district be highly rated.²

Lord Farrer remarks that: "Taxes have a tendency to stick where they fall." He thinks some part of the rates is shifted from the occupier to the owner; but that we cannot expect to arrive at any definite conclusion as to the exact proportion. He appears to think that practically all of them fall on the owner on a change of tenancy. He thinks that the incidence of Inhabited House Duty is similar to that of Rates, and that it is a burden on landlords.

Lord Courtney thinks that the Inhabited House Duty is borne by the occupier, except where "the site forms an important part of the value of the house," when the proportion of the duty payable on that value falls on the owner. The same reasoning applies to rates. On trade premises the rates are part of the trade costs and are transferred to the customers.

Professor Marshall considers that a tax on that part of the value of the land which arises from its position and not from the expenditure of labour and capital by its owner "cannot settle anywhere except on the landlord: a lessee being, of course, landlord for the time being." Taxes on buildings and that part of the value of land which is due to the expenditure of its owner "have peculiarities of their own." "In general they tend to be shifted in the same way as, though more slowly and irregularly than, taxes on movable goods." Rates, the current expenditure of which gives full value to the occupier remain with him, as they should. Other

¹ P. 155.

² P. 156.

rates (onerous rates) on site values are entirely borne by the owner : those on building values tend to be borne by the occupier ; but part of *exceptionally* onerous rates falls on the owner. In his evidence before the Commission Professor Marshall said : “ A tax on that part of the annual value of land which arises from its position, its extension, its yearly income of light and heat, rain and air, cannot settle anywhere except on the landlord.”

Professor Edgeworth is of opinion that differential rates fall on the owners. “ A rate on trade premises falls partly on the customer, partly on the trader, partly on the owner, in proportions difficult to determine.”

Professor Bastable says : “ Where building sites command a high, or what is usually called a monopoly, value the ultimate incidence of rates is clearly on the ground-owner.”

Professor Price says : “ As to rates, the presumption is that the rates on the value of the ground fall on the ground-owner, and those on the value of the building fall on the occupier.

Mr. C. H. Sargant thinks that Inhabited House Duty on the value of the site falls on the site-owner : on the value of the building it falls on the occupier. “ Constant Rates ” fall as the Inhabited House Duty does ; but if the premises are occupied for trade purposes the part which falls on the occupier is transferred to the customers. “ Differential Rates,” so far as they are onerous, fall, both in respect of site and building, on the owner of the site.

Mr. T. Mackay says : “ Sooner or later the rates fall on the owner, in the case both of private houses and business premises.

Sir G. L. Gomme is of opinion that onerous taxes fall on the owner of the site. Beneficial taxes fall on the occupier who gets value for them. This applies both to private houses and business premises. The Inhabited House Duty falls upon the owner.

Professor Gonner's view is that rates on the value of the building fall on the occupier. Those on the value of the ground fall on the owner of the land. Taxes on the building value of trade premises are shifted on to the consumer. Inhabited House Duty falls mainly on the occupier, but partly on the owner of the site.

Professor Sidgwick considers that “ the whole burden of the differential rate, so far as it is onerous, must fall on the owner of the ground value.” “ A house let after a differential rate has been imposed must be assumed to be let on terms which throw the whole burden of the rate on the owner of the ground value.” “ The shifting of the primary incidence of rates from occupier to owner

would not produce economic effects of great importance on the whole." "I hold that the excess of urban over rural rates in any case falls in the main on owners of ground values."

Professor Sidgwick's memorandum on this complicated and difficult question appears to me to be the clearest, soundest, and most illuminating reply received by the Commissioners from the financial and economic experts to whom they sent their inquiries. It is perhaps natural that I should hold this opinion because Professor Sidgwick's views are very largely identical with the opinions at which I have arrived by the somewhat different method which is expounded in this volume.

Dr. E. Cannan says that the consequence of rates for unproductive purposes being higher in one place than another is to make the value of the land lower in the high-rated and higher in the low-rated places than would be the case if the rates were equal in all cases. "If occupiers were allowed to deduct either rates, or the cost of getting their hair cut, or any other expense, from their rents, then their rents would be that much higher. If they were not allowed to deduct the income tax, their rents would be that much lower."

Sir R. Giffen says: "Rates on house and trade premises are deductions from the property in the nature of a rent-charge."

"That burden (rates) falls *ab initio* upon the ground landlord, diminishing the sum of capital or income he is able to obtain for his property." "All local taxes, I believe, must ultimately fall on real property. The *octroi* of a city like Paris depresses *pro tanto* the rent of the City, which would be increased if there were no *octroi*."

Sir E. W. Hamilton, in his Memorandum already quoted, says: "The conviction which I have formed is that a part of the rates in respect of houses falls on the land-owner as certainly as a part falls on the occupier. What amount each of those parts represents I do not pretend to say. But I shall assume, for the sake of argument, that half the rates fall on the occupiers, and that the other half falls on those who have superior interests in the houses. . . . This apportionment of rates is, I admit, hypothetical; but, when all circumstances are taken into account, it is probably a reasonable hypothesis."

Mr. Dudley Baxter took a similar view many years ago in his *Local Government and Taxation*, when he said: "Onerous" rates are about half the total rates.

W. E. Gladstone said, at Ormskirk, in October 1868: "We must all agree that the ultimate burden of the rates comes upon the landlord. Whether they be parochial rates or borough rates, they will at last find their way to the landlord."

R. Cobden, speaking in 1850, said: "It is known to everybody that the assessment is on the rent, and if the rate is assessed on the rent, why the tenant charges it to the landlord when he takes his farm. He calculates what his rates and taxes are, and if the farm is highly rated he pays less rent."

Mr. Harper, now Chief Government Valuer, in his evidence before the Royal Commission on Local Taxation 14 years ago, said: "Were all property relieved of the charge for rates, it can hardly be doubted that the result would be an increase in rents to a corresponding amount, subject to some slight allowance for economic friction."

Mr. Trustram Eve, when giving evidence before the Departmental Committee (1912), said that he and the Rating Surveyors were of opinion that the incidence of the rates is upon the owners—that they pay nearly all the rates (Ans. 3412, 3439). "At present most of the occupiers think not only that they pay the rates, but that the incidence is on them. Personally I do not think it is" (Ans. 3441).

Mr. Harper said to Mr. Eve: "You and I are practically at one that the incidence of the rates, in the long run, tends to fall on the owner" (3459).

Economic Friction and Diffusion

Mr. Sidney Webb, as a witness before the Select Committee on Town Holdings (1890), said:

My view generally is that if actual life were as the theoretical economists suppose it to be, if every one were omniscient, if there were absolute freedom of capital and labour, and if there were perfectly frictionless mobility, then the incidence of taxation would be, as owners of property assert it is, including, therefore, the inhabited house duty and the water-rate; but I shall show you that is not the economic view. The deductions from that theory are so large as to make it absolutely fallacious.

He said that the real incidence is very different from the apparent. The man who appears to pay and thinks that he pays does not really pay.

I believe the rate on buildings falls in the same way as the rate on land (and I think that is now the orthodox opinion) falls, that is, upon

the owner, or would, conditionally in the absence of economic friction. The argument which proves that the rate on buildings would fall on the consumer assumes that there is no other shoulder on whom the builder can shift it: that he must get his normal interest: that he is between the fixed point of the ground landlord and the shifting price of the consumer, but, as a matter of fact, the ground landlord is not a fixed point, and in the passage of agricultural land into building land there is, in my experience, always a large jump in value. . . . Accordingly, if the builder finds that by taxation his return on his buildings is diminished, he has the alternative not merely of increasing the rent to the consumer, but of offering a lower ground rent to the freeholder, and the freeholder getting, in any case, a much larger than the agricultural value, has no fixed point of resistance.

Mr. Webb went on to say that in his opinion the theory was sound, but that it was eaten away by economic friction. With regard to this theory of economic friction, and Mr. Webb's suggestion that it "eats away" otherwise sound economic theory and renders it "absolutely fallacious," this seems to me to manifest a considerable lack of a sense of proportion. No doubt it is true that generally with new or increased taxes or rates of moderate amount, there is considerable friction in passing on the charge to its ultimate destination, and at first some part of the new burden is borne by those upon whom it primarily falls; but I agree with Dr. Cannan, who says that "nothing is more ludicrous than the argument that because a drop makes no perceptible difference in a big bucket, it has produced no effect." The little changes which occur obviously have just the same effect in kind, though not in degree, as the great changes, the effect of which no one would dispute.

Of course, there is "economic friction"; but that only means that the ultimate result is longer in being reached. For this reason some authorities prefer to say that the burden of rates "tends" to fall on certain persons. But this puts it too mildly. There is more than a mere tendency. In the long run and ultimately, taking property as a whole, the result is certain. It may be and indeed is delayed, and while the delay continues it may suffice to speak of a tendency, but ultimately that tendency crystallises into a definite result. I agree with Mr. Storey that

The incidence of rates, although certain enough in the long run, does not admit of clumsy dogmatism in any selected case at a particular moment. Economic adjustments do not take place with the mechanical precision and punctuality of clockwork. They are more analogous to the complex and deliberate processes of nature, liable at times to be

set back and delayed or to assume unfamiliar disguises, subject to infinite variations, responding to innumerable influences. But economic forces, like the forces of nature, invariably assert themselves sooner or later and in one manner or another, and proceed at last to their predicted and necessary consequences.¹

Referring to the give and take which there often is between farmers and landlords in good and bad times without any change of nominal rent, Professor Marshall says: "Such adjustments obscure the incidence of agricultural rates, as the eddies of a wind rushing past a house will often carry snowflakes upwards, over-bearing but not destroying, the tendency of gravitation." But this is only very temporary. Eventually the snowflakes reach the ground either as snow or rain and the law of gravitation asserts itself.

If theories of "economic friction," "line of least resistance," etc., be pursued to their ultimate conclusion we shall be led to the comforting decision of the American economist who said that "taxes equate and diffuse themselves, and if levied with certainty and uniformity they will, by a diffusion and repercussion, reach and burden all property with unerring certainty and equality." Clearly when we reach that state of mind we need not trouble any more about incidence. It will not matter who pays taxes or how we levy them, all will be right in the end!

Views of Taxers of Land Values

It is interesting to note here that it is the opinion of the most prominent of the advocates of the taxation of land values that the bulk of the rates fall upon the land-owners now. Indeed, some of them contend that all rates and all taxes really ultimately fall upon land values.

Mr. John Orr in *Taxation of Land Values* says: "Rent is reduced by the full amount of the taxes paid by the tenants in any form" (p. 2); and "The proposal to substitute a tax on land values for all the present taxes is simply a proposal to substitute a direct tax on land values for indirect taxes on land values" (p. 16).

Mr. Harold Storey in *The Economics of Land Value* says: "The present rates are a charge on land value."

Mr. Edwin Adam in *Land Values and Taxation* says: "The imperial taxes which a man pays fall as deductions from the sum he can afford to pay in rent to the owner of the land" (p. 173).

¹ *Economics of Land Value*, p. 50.

Mr. Josiah Wedgwood, M.P., has more than once expressed the same opinion. In his evidence before the Departmental Committee on Local Taxation, 1912, he held that all rates now come out of the landlord's pocket (Ans. 1865-70).

Mr. C. L. Davies, the Secretary of the United Committee for the Taxation of Land Values, and the representative, before the Departmental Committee, of the Land Values Group of Members of Parliament, repeatedly stated in his evidence that the relief of rates would be a gift to land-owners, and that "these local burdens now fall on landed property" (Ans. 1167).

Mr. C. H. Smithson, of Halifax, stated that the whole of the existing rates fall upon the owners of the land, except where they amount to more than 20s. in the £ on the economic rent, and that if they were abolished the rent would rise by the amount of them. "The ratepayers are misguided in thinking that they are paying them" (Ans. 2143, 2191-5).

The Memorandum submitted to the Departmental Committee (1912) by the Land Values Group of Members of Parliament said: "It is agreed that to a very large extent the burden falls on the owner as distinct from the occupier" (*Report*, vol. ii. p. 19).

Mr. Dundas White, M.P., said that if the rates were paid by the landlord, the tenant would pay more rent (Ans. 1712-13, 1846).

Mr. W. R. Lester, the Treasurer of the United Committee for the Taxation of Land Values, in an article in *Land Values*,¹ said:

Rent of land is whatever has to be paid to secure the right of occupancy. It matters not whether the payment is made in the name of rent or of rates. Under present fiscal arrangements, no land, however poor, can be occupied without payment of rates in addition to rent, which means that rates are part of the payment made to secure the use of land, and must therefore be considered as part of rent. To arrive at the real amount of land value we must add rates to rent, because were no rates payable rent would rise by the amount of the remitted rates.

Another View

Some writers, however, contend that because urban land has increased largely in value without any expenditure or effort on the part of the owners, and while it was increasing in value the occupiers were paying increased rents and also high rates, the burden of the rates is really upon the occupiers, and is borne by them. Mr. Chiozza Money, M.P., puts this view thus:

¹ July 1907.

Let us consider the matter concretely. A certain land-owner in 1769, the year in which James Watt took out his steam-engine patent, owned a tract of poor agricultural land of little value. Owing to a fortunate discovery of coal near his land, the poor land-owner suddenly became wealthy, and a mining town sprang into existence. Houses were rapidly built and their occupiers as rapidly rated, in order to carry on the local government of the new town. The land-owner thus came to draw high rents from ground which, a few years before, had returned him next to nothing. How, then, can it be alleged that he bore the rates paid in addition to high rents by his tenants, and how can it be alleged of his successors to-day, whether they are successors by inheritance or by purchase?

The fact is that the man in the street, who has a firm belief that when he pays money to the local rate collector he is the actual payer of the rates, is right in the main, and, I repeat, the true view of a local rate (in so far as it is not "beneficial") is that it is a local income tax roughly graded by the size of the tax-payer's dwelling. It is a very rough-and-ready method, and, especially in the case of small traders, needs some revision.¹

Clearly this is fallacious. The circumstances under which the land acquired its value, and whether the owner did or did not do anything to create the value, has nothing whatever to do with the point under consideration. These details merely confuse the issue. The real point is, does the tenant pay the "onerous" rates in addition to a rent which represents the full value of the property, or do those rates diminish the value and reduce the rent which can be obtained, so that the rent and those rates combined represent the full market value of the property? The "beneficial" rates are not a burden. As Mr. Money puts it, they "are not taxes of any kind, but simply tradesmen's bills presented by the local authority for services rendered."

It is perfectly certain that the onerous and differential rates do come off the rent which would be obtainable by the landlord if they were not payable. That is common ground: Mr. Money does not dispute it. It is clear, therefore, that the full value of the property is not the rent which the occupier pays, but the rent plus these rates which reduce the rent to what it is. That being so, all considerations of how the property acquired its present value are wide of the mark, and have no bearing whatever upon this particular point. The property as it stands belongs to the owner. The rent he gets for it is less than its full value to the occupier by the amount which the occupier pays in rates other than those which are "bene-

¹ *Westminster Gazette*, October 30, 1912.

ficial." Consequently, the burden of those rates falls on the owner and not on the occupier. That is demonstrated by the fact that if they were abolished the landlord would get a corresponding addition to the rent.

The occupier really pays the rental value of the premises in rent and rates. To contend that he pays the rates because they come out of the total rental value which he pays is no more sound than it would be to say that the tenant pays for the landlord's food because the rent which the tenant pays provides the owner with food. How the owner came by his property, to what circumstances its value is due, whether he ought to have that value or not, and whether or not it is just that the burden of the rates in question should fall upon him, are not the points at issue. The sole point is, Do these rates, as a matter of fact, fall upon the owner as a deduction from the rent which is the full market value of the property, and would be obtainable for it if these rates were not levied in respect of it? To that question there is only one answer, and it is that, in this sense, those rates fall on the owner and not on the occupier.

On the Land or the Owner of the Land

We have spoken of the greater part of the rates falling upon the owner of the land. That is a statement which requires some modification and further explanation. In the discussion as to whether the rates fall upon the occupier, or the owner of the building, or the owner of the land, it is a convenient expression, and is sufficiently accurate; but it does not quite precisely cover the ground.

That the rates in question come off the value of the land and reduce the amount of rent, and consequently the selling price which the owner can get for it, is true; but it does not follow from this that they can always be called a burden on the present owner in the ordinary sense of the term. In so far as they were in existence when he purchased or came into possession of the property, he purchased or came into possession practically of that portion of the total value of the property that was available after these rates had been paid. The rates were, therefore, of the nature of a prior charge on the property, and might more correctly be described as a burden on the land rather than a burden on the owner. This, however, only applies to those rates which were levied or were anticipated when the present owner acquired or came into possession of the property. Any increase in the rates beyond that amount is a burden upon him.

Further, in connection with the point we have been discussing it is not very material whether we speak of the rates falling on the land or on the land-owner. What we have been endeavouring to ascertain is what, if any, proportion of the rates falls upon the builder, the owner of the house, and the occupier, and what proportion comes out of the value of the land. This was necessary in order that we might find out whether land bears its fair share of rates and taxes, and also that we might discover what would be the effect on the various parties of any change that might be made in the method of assessing and levying rates and taxes. What is clear is that the rates in question fall upon the land of which the land-owner is the proprietor, and if they were removed he would get a higher rent.

In this connection it is sometimes held, and many land taxers hold the view, that all other taxes also come off the value of the land, and are really, in the long run, a burden on it. This is, however, an error, just as is the contention that all material progress concentrates on the value of land and increases it. General taxation diminishes the ability of the tax-payer to expend his income in other directions. To that extent it affects the community as a whole. It does not specially affect the demand for houses more than it affects the demand for other things. But rates and taxes which are levied specially and exclusively on land and premises according to their value and because they are where they are, are a distinct charge on that property, and are therefore a deduction from its value, and, as we have shown, that deduction must and does for the most part come off the value of the land. It is not a payment by the occupier that is additional to the payment he would have to make if those rates were not levied. Any decrease in those rates benefits, and any increase burdens the person who is the owner of the beneficial interest in the land at the time the change is made.

CHAPTER V

SPECIAL POINTS AND EXCEPTIONAL CASES

It may be convenient if reference be made here to one or two special points and exceptional cases which sometimes create difficulty and cause confusion of thought when this subject of rates and their incidence is being discussed.

The Value of Buildings

Speaking generally, a building, considered apart from the value of the site, will not be worth more than the price at which it could be replaced, and any increase in value that takes place beyond that will be due to an increase in the value of the site. On the other hand, the total value of a property may fall without any decrease in the value of the site.

A building may be worth much less than the cost of re-erecting it because it has deteriorated through age and by wear and tear, or it is out of date and inconvenient. In such a case there may be a fall in the value of the property as a whole without any fall in the site value, or the value of the property as a whole may remain the same whilst the value of the site has increased, but the increase has been balanced by the depreciation of the building.

Buildings may be erected in excess of the demand for them, or the demand for them may seriously diminish after they have been built some time. They may be almost unsaleable, and can only be let at a rent which will tempt people to go a long way to them and live in an inconvenient place. In such cases the fall in value is not necessarily wholly a fall in the value of the land. It is quite possible for it to be almost entirely a fall in the value of the building.

Cottages built in the vicinity of a coal mine are often never worth more than the cost of building them plus the agricultural value of the

land. If the coal mine is permanently closed, the cottages become worth very little. The land on which they stand is worth as much as it was when they were built, and would fetch the same rent if the houses were cleared off it. It is the buildings which have gone down in value. They are where they are not wanted.

When a site has gone down to its agricultural value it will not fall below that value, and any burden of the rates beyond those which have sent it down to that level will fall upon the occupier.

The Principles expounded apply to Average Buildings

Rates fall upon the land up to the amount of the differential rates which are payable on such property as would usually be erected on land in that vicinity. If a larger and more expensive, and therefore more highly rated building in proportion to the area covered than is usual be erected, the additional rates beyond the normal will not fall on the land but on the building. No owner of land would let or sell his land for less than he could get for it as a site for the ordinary buildings of the locality, because a larger and more expensive building was to be erected on it. So an owner could not get more for his land because on that particular site a building was to be erected—*e.g.* a church or chapel—on which no rates would be payable.

Shops in Bond Street and Regent Street

Some authorities think that in special localities—like Regent Street and Bond Street—a portion of the rates on business premises is passed on to the consumer of the goods in the form of an addition to the price of them. I should say that the rents are high because large profits can be made rather than that higher prices are charged because rents are high. Shops in the midst of wealthy people sell special and better-class goods which give a large turnover and show a good profit. Shopkeepers will pay a good rent to get into those districts. The extra rent so paid is site value. The extra rates are “differential” rates. They fall on the gross value of site and are a deduction from it. The case of the Bond Street shops is similar to that of farms which are let at a high rent because of their favourable climate and the excellent quality of the soil, and to market gardens and milk farms near large towns. The purchasers of the produce of these farms and market gardens do not pay more for the wheat, meat, poultry, milk, and vegetables produced there than for similar articles grown 100 miles away, except in so far as some of it may be

fresher and be more conveniently offered and delivered. The producers find these lands more convenient, productive, and profitable. Therefore, they pay more for them. They do not get more produce or better prices because they pay more rent. They pay more rent because they can get a better return. The larger amount they have to pay in rates is a set-off against that advantage. Were the rates no more than on cheaper land, the land-owner would get a still higher rent.

Incidence of Rates when Property is sold or let

To what extent, if any, are rates which were being levied or were anticipated when a property was bought or acquired, or when a lease was taken or a tenancy was entered upon or renewed, a real burden or tax upon those who pay them; or, if they be shifted, upon whom do they ultimately fall?

We have seen that onerous rates on land, the value of which is not more than its agricultural value, and, in the case of land and premises where the land is of more than agricultural value, differential rates also really and ultimately fall upon the land value. They are charges which cannot be shifted. In so far as the expenditure of those differential rates increases the value of the property, they are "beneficial" rates, and are not really a burden and a tax. In so far as the rates which fall on the land are "onerous" and differential, whether they be differential or not, they are really of the nature of a permanent charge on the land, and from the moment they are levied (if they are likely to continue, as in practice they almost invariably do) they reduce the capital value of the land by an amount which corresponds to the reduction which they make in the net income derivable from it.

When a property is bought, the fact that certain rates are payable in respect of it is taken into account. They represent a definite permanent reduction in the income from it, and the purchase price is less by an amount which represents the capital value of that reduction. Consequently, when a man has bought a property, the rates which were levied or anticipated when he bought it are not in any real and proper sense a burden or loss to him. He bought the expectation of rental value, the amount of which was arrived at after allowing for the payment of rates. Thus when the gross annual value of the property is reduced to that extent by the rates which he has to pay out of it, if he is the occupier, or the rent which he receives, if he lets it, is less by the amount of the rates than it would

have been if there had not been any rates, he still receives the net value or rent which he purchased.

The position is similar with regard to the tenant. When he takes a house the rent is less by the amount of the differential rates than it would have been if there had not been any such rates. The owner, in fact, makes him that allowance because he (the tenant) has to pay those rates. That is to say the landlord pays them through the tenant, inasmuch as he reimburses the tenant for the payment by accepting a correspondingly reduced rent.

Existing Rates fully allowed for when a Bargain is made

So far as the owner of the property is concerned, he acquired the surplus or balance of the value or income which remained after the then expected rates were paid. Those rates were a prior charge to his interest, and he acquired the property subject to that prior charge. His position is similar to that of the purchaser of shares in a company which has issued debentures. Those debentures are not a burden on his interest in the concern. They are distinct and separate. His interest does not commence, does not exist, until their claim has been met. He bought his interest with that knowledge and subject to that prior claim. To say that he pays the debenture interest out of his income would be inaccurate. That interest is paid out of the earnings of the undertaking, and there is no interest due to the shareholder, out of which he can pay anything, until there is a surplus beyond the amount payable on the debentures.

To wipe out or reduce the rates on the property or the interest on the debentures would be a clear gift to the landlord or shareholder. It would enable him to receive an increase of rent or dividend which he had not anticipated when he acquired the property or shares.

So with the tenant. When he took the premises or renewed his tenancy he knew what the rates were and that he would have to pay them. The rent was fixed with that knowledge. If that payment had not to be made the rent would have been correspondingly higher and his total payment would have been the same as it is now. To cancel or reduce those rates would be a clear gift to him, but it would only continue until the term of the tenancy expired. When the tenancy had to be renewed the rent would be increased by the amount of the rates of which the property had been relieved. Relief of rates out of national funds benefits the land-owner in the long run, and it does it largely at the expense of the occupier.

In the debate on the Budget of 1887 Mr. Gladstone said that

Government grants in aid of local rates might give immediate relief to the occupier, but not an enduring relief. Whether rents were rising or falling, on the next adjustment the grants would be taken into account, and the landlord would get so much more rent.

Professor Sidgwick—in his contribution to the Memorandum on the Classification and Incidence of Imperial and Local Taxes, said :

Of course if the occupier, being a leaseholder, had undertaken to pay the rate, and were allowed to deduct it from the rent which the landlord was not allowed to increase, he would gain the whole rate during the period of the lease. But this cannot be contemplated. On the other hand, if the house is let from year to year, I do not see how the occupier can gain by the power of deduction—except on the assumption that by a strange want of foresight he does not adequately take the rate into account in bargaining about the rent—unless the rate varies materially from year to year (p. 108).

With regard to the land-owner, the building-owner, the leaseholder, and the occupier, the general principle which determines the incidence of the rates is the same. All rates which are levied or anticipated at the time an interest in the property is acquired are taken into account and allowed for in fixing the price, or value or rent of the property.

Incidence of Changes in Rates during Current Tenancies

Another question is, What happens when new rates are levied or old ones are increased or decreased ?

New rates or changes in old ones fall upon the occupier in the first instance, and remain with him until the tenancy terminates or is revised. Then they fall upon his immediate landlord. If the property be leasehold they are in turn transferred by that leaseholder to his immediate landlord (if there be one) when his tenancy or lease expires or is renewed, and so on until they fall upon the owner of the land when the property reverts to him and the tenancy or lease from him comes to be revised.

The person who at a given time enjoys the beneficial interest in the property is at that time, so far as the problem we are now discussing is concerned, the owner. An occupier, whether he be an annual tenant or a leaseholder, may be said to have acquired—purchased—the annual value of the property, including the site, for the term of his agreement or lease. Upon him—as temporary owner—for the time being falls the burden or the relief resulting

from any increase or decrease in the rates during the term of his agreement. He also for the time being enjoys any benefit or increase in value which accrues as the result of additional public expenditure, growth of population, or any other cause.

Incidence of Changes in Rates when Tenancies commence or are renewed

When new leases or tenancies are arranged or old ones are being revised or renewed, or are being continued when they might have been terminated, if the rates have been increased and the expenditure adds the same amount to the value of the premises to occupiers, the tenant will pay that amount more for them in rates and the landlord's rent will remain as before. If the expenditure of the extra rate adds more to the value of the premises than the amount of that rate, the landlord will be able to increase his rent by the amount by which the increased value exceeds the extra rates, and the occupier will pay the increased value partly in rates and partly in rent. On the other hand, if the increase in the rate be more than the increased value which the expenditure of the higher rate gives to the property, the owner's rent will be reduced by the amount by which the extra rate exceeds the added value.

If the differential rates and taxes which the occupier pays be reduced without altering the value of the premises by decreasing the services or benefits which attach to them—for instance, if the payments of the occupier be reduced by transferring them to the owner—the value of the premises will remain as before. The factors which fixed the value before will be unaltered. The market value to an occupier will be what it was, and the occupier will have to pay as much as before, neither more nor less. As he will pay less in rates and taxes, he will be able to pay, and he will have to pay, because the landlord will be able to get a corresponding amount more in rent. If the amount of the differential rates which is taken off the occupier be levied on the owner—whether he be the land-owner, the building-owner, or the owner of both land and building is immaterial so far as this point is concerned—the net result to both owner and occupier will be the same as before. If the differential rates now paid by the occupier are reduced by contributions levied elsewhere than on the owner of the property—say by subventions from the National Exchequer—the reduction will be a clear gift to the owner, and the occupier will not benefit at all.

All improvements and growth of population which increase the

value of the property beyond the charges on the property which they involve, add to the site value, and correspondingly all charges on the property which do not increase its value to the occupier diminish the site value.

The expenditure of beneficial rates does not benefit the landlord unless the benefit received by the tenant therefrom is of greater pecuniary value than the rates which he pays. If the benefit be greater than the payment in rates the landlord will get the balance of benefit in rent, and if the benefit be less than the payment in rates, the difference will come off the rent.

Improvements and Rates

Reference may now be made to one or two misconceptions which exist in some quarters with regard to land-owners and improvements and rates.

It is customary for some people to talk very freely and confidently about the high value of land in great cities being due to municipal expenditure, and we are asked to regard this high value as a gift to the landholder which has been and is being paid for by the rate-payers.¹ Dr. Cannan describes this idea as a "grotesque notion." It seems as though it was either never realised or it is very conveniently ignored that the corresponding cost in rates of these beneficial services is a set-off against the advantage and increased value, and, in so far as the two balance each other, prevents the land-owner from obtaining any extra price or rent as the result of them. Dr. Cannan puts the point thus :

While it is perfectly true that the service tends to raise the value of the property, the fact that the rates have to be paid by the occupier tends to reduce the rent that can be charged for it. So if, as is usually the case owing to the competition of localities, the service adds to the value of the property no more than its cost, the rent cannot be raised. No one would suppose rent would be raised by the occupier receiving and paying for his groceries : no one seems to suppose it is raised by his paying a gas company or a water company for the commodities they supply, nor even by his paying his local authority for water supplied by it : why then should it be raised by his paying his local authority for taking that water away in drains when he has done with it ?

¹ "In any progressive town, whether manufacturing centre or health resort, it will be found that where money has been freely spent, the rates are high in consequence, and the value of land is high. It is obvious that where the ratepayers have sown the land-owners have reaped. It is now time that they should contribute in proportion to the rich harvest they have reaped" (Memorandum submitted by Land Values Group of M.P.'s to Departmental Committee, 1912).

The idea that occupiers pay for public improvements twice over, once in rates and again in increased rent, is based on a misapprehension. If the improvement has taken place during the currency of a lease and the benefit is equivalent to the addition to the rates, the lessee gets what he paid for—the benefit and the extra rates balance each other. When the lease comes to be renewed no increase in rent on account of the improvement will be paid because it is balanced by the increase in the rates.

If the benefit exceeds the burden, the rent, on readjustment, will be increased by the amount of the excess. The tenant will pay in rates and extra rent the value of the benefit he receives, and no more.

*The Idea that Land-owners get all the Benefit of Public
Expenditure is an Error*

The idea that the land-owner derives all the benefit which results from the expenditure of rates and the growth of the community and at the same time bears none of the burdens is unsound and erroneous.

In the first place, the whole value of the advantage which results in a locality from public expenditure and the growth of population is not absorbed by the owners of land. It is true that public improvements, wise local expenditure, and increase in population in a locality do tend to increase the value of the land there. It is also the fact that the same conditions which cause local developments, improvements, and advantages to increase the value of land cause local charges and disadvantages to diminish the value of land. Rates are a disadvantage—they diminish the value of land. The wise expenditure of those rates is an advantage—it increases the value of land. The two largely balance each other.

In the second place, it is not correct to say that the ground-rent owner receives all the benefit which results from public expenditure, and does not contribute to that expenditure. When he lets his land on a building lease he gets a much lower ground rent than he would have done if there had not been any rates. The full amount of all rates then levied or anticipated is taken into account when the ground rent is fixed.¹ The fact, therefore, is that in place of it being true that the ground landlord does not pay any rates, he pays

¹ Mr. Harper, Chief Government Valuer, examining Mr. Trustram Eve on this point before the Departmental Committee, 1912, said, "I agree that to a considerable extent the future increase of rates is foreseen and provided for?" Mr. Eve replied, "Quite so" (3476).

throughout the currency of the lease, by the reduced ground rent which he receives, all the differential rates which were levied or anticipated when the lease was granted.

What happens while a Lease runs and when it expires

Nor is it true that during the currency of the lease he reaps the benefit of all increase in the value of the property which results from public expenditure and improvements and the growth of population. At the time of granting the lease he was in possession of any increase in value which had then taken place, and that increase was reduced and counterbalanced by the rates and charges levied and anticipated in connection with the property. At that time he both received the benefits and bore the differential rates and charges.

After the lease was granted he continued to receive the benefit of the increase in value which had accrued up to the time of granting the lease, and he also continued to bear the differential rate and charges which had then accrued or were anticipated. The ground rent payable to him represented the annual value of the lease at that time, after taking into account all the factors which made up the value of the property and deducting from them all the rates and charges which reduced that value.

During the currency of the lease he does not pay any increase in the rates that fall on the property. Nor, on the other hand, does he derive any benefit from any increase in annual value which accrues from any cause whatever. Those who are the beneficial owners of the property during the continuance of the lease pay the increase in the rates and receive the benefit of the whole of the increase in the annual value of the property which accrues during that time.

When the lease expires, the ground landlord comes into possession of the property again, receives its full value, and pays all extra rates and charges. If he then re-leases it he will do so at a rent which will be arrived at after deducting the whole of the differential rates which, it is anticipated, the lessee will have to pay; and thus throughout the whole of the period of the new lease he will pay, in the correspondingly reduced rent he will receive, the whole of the differential rates which are levied or anticipated when it is granted.

The truth, therefore, is that the ground landlord throughout the lease receives the benefit of any increase in value which had

accrued up to the time the lease was granted, and he bears the burden of the rates and charges which were levied or anticipated at the same time. The benefit of any further increase in the value of the property during the currency of the lease is enjoyed by the leaseholders or occupiers, and any increase in rates is also borne by them.

If the immediate landlord is not the freeholder, he took those rates into account when he made his contract with his superior in title, and the differential rates then in force or anticipated were and still are borne by his superior.

An Illustration

The annual value of a property is £75 a year, the occupier being liable to pay rates which are or are estimated to be £25 a year, of which £18 would be differential rates. The cost of the property to the occupier—the total amount which he is willing to pay for it—in other words its market value—is therefore £100 a year.

If there were no differential rates (and other conditions remained the same) the market value of the property to an occupier would be the same, and the landlord would be able to get £100 a year for the property.

On the other hand, if the rate were increased to £30 a year and the extra £5 represented onerous differential rates for which no extra services or value was received by the occupier and other conditions were unaltered, the market value of the property, including rates, would still be £100, and as that is all that a tenant would pay and £30 of it had to go for rates, the landlord would have to be content with £70 instead of £75 in rent whenever a new contract was made.

That is to say, the landlord would bear the burden of the differential rates levied or anticipated when the new contract was made.

Shifting of Rates and Taxes on Agricultural Land

There are one or two points of importance with reference to the shifting and capitalisation of rates and taxes to which brief reference has already been made which may, with advantage, be discussed rather more fully.

With regard to the possibility of a tax on land being shifted : and first, as to agricultural land in this country. It is practically universally agreed that a tax on land levied according to its economic rent will fall entirely on the land-owner. Land on the margin of cultivation does not pay any economic rent. It is the cost of

production on the no-rent land that fixes the price of agricultural produce in the long run. As a tax on economic rent would mean that there was no tax on the land to the produce of which the price adjusts itself, such a tax could not affect the price of the produce, and must come off the economic rent of the more favourable land. It would fall on the land-owner and could not be shifted.

The greater part of the rent paid for agricultural land is not economic rent, but a return for—interest or profits on—capital expended on the land. A special tax on this portion of the rent would, according to Ricardo's view, be like an exclusive tax on the ordinary profits of a particular trade, and would fall on the consumers.

Taxes which are levied on selected commodities or on persons engaged in particular occupations tend to be shifted on to the consumers and to become diffused over the whole community. It is only, however, as the taxation is special and unequal that this is so, and the reason for it is that a tax which diminishes the profit on a particular article, or bears exceptionally upon a particular class of producers or traders, tends to diminish the amount of capital employed in this branch of production and, therefore, the quantity of the commodities produced, until the price of them rises sufficiently to make that trade or occupation as profitable as other ordinary businesses.

But a general tax on profits from all trades and investments will not be shifted to the consumer, because capital and labour cannot with advantage be transferred to some other occupation if all other profits and property are equally taxed.

As a matter of fact, however, under the conditions which now prevail, even an exclusive tax on that portion of the rent of agricultural land which represents return on capital invested on it will not be shifted to the consumer. If it were a tax levied on all agricultural land all over the world, or this country were a completely isolated community in which the price of its agricultural produce was not affected by the price at which supplies could be obtained from other countries, then such a tax would slowly and in the long run tend to be transferred to the consumer. But, under existing conditions, the price of agricultural produce is fixed by the conditions of demand and supply in all the countries of the world. The price of wheat here is fixed by the conditions of production thousands of miles away and the supply available at any given time from lands scattered all over the globe. A tax levied on a farmer or land-owner

here cannot affect the price of the produce in the world's market. As Professor Seligman puts it :

The Western farmer (of the United States), the price of whose wheat is fixed in Liverpool by the conditions of production in countries thousands of miles distant, will not get a whit more for his products if his taxes are doubled.

It is sometimes suggested that in so far as the farmer's rent in this country represents interest on the capital expenditure of the landlord on reclamation, improvements and maintenance, taxes on that rent, even if at first they fall on the landlord, must eventually be transferred to some extent to the tenant, because the reduction in the return to the owner on his outlay will lead him to restrict that outlay and curtail his expenditure on maintenance and improvements, and turn his capital into other channels, and that the farmer will suffer thereby.

There is considerable force in this contention, although the tendency which is here indicated, and which, in ordinary circumstances, would be the dominating one, will, to a considerable extent, be counteracted, because, if the farm is thus rendered worthless to the farmer, the rent will have to be correspondingly reduced. That is to say, the expenditure will probably be necessary to enable the owner to obtain the best possible return on the capital which has already been sunk in the property. In these ways the current expenditure on maintenance and improvements is likely to be quite remunerative. It is really in reduction of the capital value of the property at the time the extra taxes were imposed that the effect of those taxes will be most clearly seen. At the same time, increased taxes on land values, which included the results of the capital expenditure which had developed the land from prairie value, and maintained it in a thoroughly good cultivatable condition, would deter owners from expending further capital in developing land which is not at all or only very partially developed now.

The position therefore with regard to agricultural land is this :

1. Onerous taxes or rates assessed on the economic rent of land must fall on the land-owner.
2. Onerous taxes or rates assessed on the market value of land (and therefore on its improved value) will also fall on the land-owner because outside competition forbids a corresponding increase in the price of produce.

Shifting of Rates and Taxes on Building Land

Next, as to urban building land. The view that a tax on building land cannot be shifted rests on the opinion that the value of the land is determined by supply and demand,¹ and that the tax does not diminish either the supply or the demand. The value of the land being fixed by the higgles of the market, the amount to be paid in rent will be the gross value, less the tax or rate. The tenant or leaseholder will pay the value of the land in rent and rates. The amount of the rates will not affect his total payment, it will only decrease or increase the amount he will pay in rent as the rates are increased or decreased: it will only determine how the total amount he pays is to be distributed.

The theory that the tenant pays the rates means that the land-owner gets the full gross value of his land as rent, whatever the rates are, and that the rates are an extra cost which the tenant or leaseholder has to bear. This again means that the value and rent of the land are fixed by considerations which are altogether apart from and independent of the amount of the rates on it, and that the owner is able to get that rent or value, whatever the rates may be. That is to say, he is always able to throw the rates on to the tenant or leaseholder.

If that were correct, it would involve the conclusion that the owner would still be able to throw the rates on to the tenant or leaseholder, even if they were in the first instance levied direct upon him. If the tenant can and does now pay the full value of the land and also the rates, and is unable to get the land at a lower rent when rates are high than when they are low, the land-owner would be able to add the rates to the rent if they were levied direct upon him. inasmuch as the tenant would then only pay as much as he does now—that is, rent and rates—and the landlord would be able to exact that amount from him.

The contention being that the land-owner is in the stronger position, and in towns is able to and does exact the highest rent or price the leaseholder or purchaser can pay, it follows that any onerous rate or tax that is imposed on the owner or tenant in respect of the

¹ According to Seligman the value of a town site "is fixed in agreement with the general principles of economic rent, according to which the price paid is measured by the superiority of situation. It would be still more exact to make the assertion that the value of a city lot is determined by the general law of price which governs all those commodities which are not susceptible of an indefinite increase in their supply."—*Shifting and Incidence*, p. 278.

property must fall on the owner or be shifted to him, on the general theory of the taxation of monopoly profits. According to the assumption, the owner has already exacted the uttermost farthing from the tenant. Could the tenant pay an increased rent—that is, the old rent plus the new tax—the landlord would have exacted this before the imposition of the tax.

The truth is that the reason why the onerous and differential rates on urban land fall on the land-owner now is the same as the reason why, if such rates be levied on him now, he cannot shift them. It is that he is able to obtain as net rent the full value of the land less the onerous and differential charges that are levied on the property. If the tenant pays those charges in the first instance, the rent will be that amount less than the full value of the site. If the same charges be levied direct on the land-owner, his rent will be the full value and he will pay the charges out of it, with the result that the position of both tenant and owner will be the same in both cases.

Some unseen Effects of relieving Rates on Agricultural Land

If the value of all land according to its quality were the same everywhere in the kingdom, and the rates levied everywhere were the same, the burden of those rates on land and buildings in so far as they exceeded the rates that were or would be levied on the land if there were no buildings on it, would fall on the occupiers; and in so far as those rates now are the same everywhere they fall on the occupiers now. Where and when they are more than they would be on a similar building or site elsewhere—that is to say, when they are differential—to the extent of that excess or difference they fall on the owners of the land. The amount of that excess or difference varies much. Consequently the proportion of the total rates which falls upon the land-owner also varies considerably. In highly rated districts and in localities where the land value is high the *proportion* of the rates which falls upon the land-owners is much greater than in localities where land values are comparatively low and rates are moderate. This is only another way of saying that the more nearly the conditions as to the value of land and the amount in the £ of the rates approximate to those of low-rated rural areas the smaller is the *proportion* of the rates that falls upon the land-owners.

From this two interesting considerations arise: one is that the reductions which have been made in the amount of the onerous

rates payable in respect of agricultural land in proportion to its annual value have had the effect of increasing the proportion of the onerous rates which falls upon the occupiers of buildings and of diminishing the proportion which falls upon the owners of the sites of those buildings. In other words, one result of relieving agricultural land of a considerable portion of the burden of onerous rates has been to increase what we have denominated "constant" and to thereby decrease the proportion of the rates which are differential. I doubt that this result was foreseen or intended, and it is probable that it is an effect which has been little noticed, although it extends to all houses and buildings, urban or rural. It would only make itself felt gradually and slowly, and it will very seldom be attributed to the true cause. The ultimate effect of relieving agricultural land of part of the rates by making contributions in respect thereof from the National Exchequer must, however, be to increase the burdens on occupiers, as distinguished from owners, in two ways, first, as general tax-payers, and second, as payers of the "constant" rates.

The second consideration is that the amount of relief that could be given to occupiers of buildings in the matter of rates by levying a rate upon land values, being limited to the amount of the "constant rates," the extent to which occupiers could be relieved by a rate on land values has been increased by the addition to the amount of the "constant" rates, which has been made by the relief which has been given to agricultural land in the matter of rates.

These considerations illustrate the difficulties and complications of rating problems, and the widespread ramifications and effects of what seem to be simple changes.

Capitalisation of Rates and Taxes

Another point of interest, to which reference has already been made, is the way in which certain rates and taxes are at once capitalised. Under certain conditions, the whole burden of a permanent tax levied in respect of a commodity or property may fall in such a way that the owner of it, at the time the tax is first levied or anticipated, will have placed upon him the burden of the capitalised amount of that tax for all time. This will be the case if a special tax be imposed on one class of property and not on others. The capital value of that property will at once be reduced by the capitalised value of the tax. A future purchaser will discount

the tax and give a correspondingly less price for the property. Professor Seligman puts the point thus :

For instance, if the ordinary return on investments is 5 per cent, and if a tax of 1 per cent is imposed on all railway bonds, the price of these bonds will fall from par to 80. The new purchaser will really not bear the weight of the tax ; for although his net return on each bond of 100 dollars will be only 4 dollars, he will still make 5 per cent on his investment. Four per cent of 100 is the same as 5 per cent of 80.¹

This capitalisation of the tax occurs when the tax is an unequal and exclusive one, that is, is levied on some classes of property and not on others. It must also be a permanent tax, and it must be levied on a property or commodity which has a capital value based on its annual value. It must further be a tax which rests on the owner of the property or commodity and cannot be shifted to a user or consumer.

A special and exclusive permanent tax on land—if it be a tax which cannot be shifted—reduces the capital value of the land by the amount of the capitalised value of the tax. A purchaser will give that amount less for the land than he would have done if that tax had not existed. The reduction in the capital value of the land takes place immediately the tax is first levied. In those cases the original owner—the person who owned the property before the tax was imposed—if he remain the owner, pays the tax and suffers the diminution in his income. If he sells the property, the purchaser pays the tax, but does not really bear the burden of it. The tax is paid by him in respect of the property he has bought, but as he had already deducted from the purchase price a sum equal to all the future taxes which he anticipated he would have to pay, the payment of the tax is no real burden on him. Unless the value of the property and the income from it are altered owing to other reasons, he receives, after deducting the tax he pays, the return upon his investment which he expected and for which he paid when he bought the property.

When such a tax as this is imposed the present value of it for all time falls on the then owner. The capital value of his property is at once reduced—confiscated—to that extent. The tax is said to be “ absorbed ” in the lower capital value of the property. Conversely, if a special exclusive permanent tax of the kind we have been considering be reduced or repealed, the result is a clear gift

¹ *Shifting and Incidence*, p. 221.

to the then owner of a capital sum equal to the capitalised value of the reduced or abolished tax.

Professor Seligman truly says of this capitalisation or absorption of taxation: "Its cause is inequality: its result is confiscation or gratuity." "When urban land changes hands frequently, the tax virtually disappears and becomes a charge on no one. In the meantime, however, it is the original owner, or his heir, who suffers."

Incidence of Rates levied on Land Values

What would be the effect, so far as the incidence of the burden is concerned, of taking rates off buildings and levying them on land values? We have seen that a large part of the rates fall on the land-owner now. In so far as rates fall on the occupier they are either "constant" or "beneficial" rates. The "constant" rates remain on the occupier, because he cannot shift them.

So far as "beneficial" rates are borne by the occupier now he gets direct value for them. If he were relieved of those rates, and the services which they provide continued to attach to the premises as now, the house would continue to be worth to him the rent he had previously paid, plus the value of the service, and the landlord would be able to obtain an increase in his rent equivalent to the relief in those rates.

The Effect on the Occupier

Would the transfer of the "constant" rates to the site-owner really, or only apparently, relieve the occupier of them? If the land value rate were levied on all land of every description, whether it had a building value or not, and the rates which are now levied on buildings were correspondingly reduced, so that the erection of a house on a piece of land, the value of which was no more than its agricultural value, did not increase the onerous rates payable in respect of the property at all or so much as they now do, then the transfer of all or part of the "constant" onerous rates now borne by the tenant to the owner of the land would relieve the tenant of them to that extent and be a clear gain to him. The principle which is behind the fact that there are certain onerous rates which stick to the occupier, while he is able to shift others, is that he must pay those rates everywhere, which he cannot escape, go where he will. If he takes or builds a house on land of little value in a low-rated district in the country, he must pay such part of the onerous rates which are levied on that property when the land is built on

as are in excess of the rates levied on the land when it is not built on. That is the bedrock position, and that amount of rates will stick to him wherever he goes.

What we have to ascertain, therefore, so far as the occupier is concerned, is what onerous rates in excess of the then existing rates on the land would be levied upon the property under the new method when a house was built on land of agricultural value only in what is now a low-rated district. If all the rates were levied on land values, no extra rates would be levied when the house was built. If part of the rates were levied on land values and part on the value of the property as a whole there would be some increase in the rates when the house was built, but that increase would be less than it is under present conditions. So far as the extra rates now charged, when a house is built on such land in such districts, were abolished or reduced by the new method of levying rates on land values, to that extent would what we have termed "constant" rates, that is, the rates which a man must pay go where he will, be diminished. To that extent the position of occupiers everywhere would be improved, and instead of occupiers bearing, as they now do, about one-third or one-half of the onerous rates they would bear a still smaller proportion.

Effect of a Limited Rate

On the other hand, if the site value rate were limited to land which was either built on or had acquired a building value in excess of its agricultural value, then the occupier would have to bear so much of that rate as would be the equivalent of the additional site rate which would become payable on the site of a similar house if it were built on land the value of which was no higher than its agricultural value. This would be so because, if the rate were not payable so long as the land had no more than an agricultural value, and was not built on, and the building of a house on it would render the site value rate payable by the owner of the land, it is obvious that he would not let the land for building purposes, unless he could get a price for it which would be equivalent to the agricultural rent which he could get in any case, plus the extra rate which he would have to pay when it was built on. The occupier would have to bear that rate for precisely the same reasons that he has to bear now that portion of the onerous rates, which he cannot escape go where he will. The amount of that rate on that class of land would become a "constant" rate which would really fall upon all occupiers every-

where, in spite of the fact that the rate was levied, in the first instance, on the land-owner. Whether occupiers would gain or lose by the change would depend on whether the present rates were or were not reduced and to what extent.

The Effect on Land-owners

So far as the owners are concerned there would be a great difference in the effect of the change as between individual land-owners. The rate levied in respect of land value on properties, the site value of which is a small proportion of the total value, would be much less than the amount of the rates levied on the whole value of the property now; while the amount levied where the site value is a large proportion of the total value would be much more than the rates on the whole property now are.

Suppose we have three properties—A, B, and C—the rateable value of which is £100 each, but the annual site value of A is £75; B, £50; C, £25, the building values respectively will be £25, £50, £75. Thus:

	A.	B.	C.
Structure	£25	£50	£75
Site	75	50	25

If £7 : 10 be the amount required to be raised on these properties, a rate of 6d. in the £ on the present system would provide it, and the amount paid in respect of each house would be £2 : 10. If the rate were levied on the site value alone, the rate would have to be 1s. in the £, and the distribution of it would be—

A	£3 15 0
B	2 10 0
C	1 5 0
	<hr style="width: 50%; margin: 0 auto;"/>
	£7 10 0

These examples show that on two properties of equal total value in the same rating area the site value of one may be three times as much as that of the other. Now the rates on both are the same: under the plan we are considering the rates on one would be reduced by one-half, and on the other they would be increased by 50 per cent, with the result that one would pay three times as much as the other.

As Dr. Cannan puts it: Levying all rates on site value “ would be a transference of wealth from the owners of property of which the site value constitutes more than the average proportion of the whole value, to owners of property in which the site forms less than the

average proportion. The owners of typical property in the middle ring of a town would be unaffected."

In other words, one class of landlords would be penalised for the relief and benefit of another class of landlords. The owners of sites of high value would suffer loss, and the owners of sites of low value would gain what the others lost by this particular arrangement.

PART VIII
THE LEASEHOLD SYSTEM

“There is another bit of homely advice I will venture to give to those who really desire to reform the Land Laws—Don’t begin by ballyragging the land-owners. You will only set their backs up and defeat your object.”—Sir WILLIAM HARCOURT.

CHAPTER I

THE LEASEHOLD SYSTEM

THERE is much to be said for and against the leasehold system. It has its advantages and its disadvantages.

Against it, it is urged that it is an obstacle to improvements, and prevents the making of alterations that are necessary to adapt the property to changed conditions and modern requirements: that when it would be desirable to transform or rebuild the premises it cannot be done during the currency of the lease, because the lessee's term is too short for it to be worth his while to expend any considerable sum on them, and the lessor is not in possession and, therefore, cannot or will not do it. In this way a street or a locality becomes out of date, and deteriorates in value, and the whole neighbourhood suffers in consequence. Another objection is that leasehold premises are a wasting property: the value of the leasehold interest is gradually running off, and at the end the lessee who has bought the equity and maintained the property has to walk out and hand it over to the land-owner, probably together with a substantial payment for dilapidations, and a sense of unfairness and injustice—often quite unreasonable but very real—is created. A further complaint is that if the property be business premises, and the lessee has built up a connection and created a goodwill in them, it is a great hardship, and involves him in serious loss if advantage be taken of that to exact excessive terms for a new lease. Lastly, cases occur in which heavy fees for licences, surveyors, and solicitors are charged for permission to make alterations and improvements which the lessee is willing to undertake at his own cost. The existence of these conditions and powers make it very difficult for lessees to dispose of or deal with their interest in the property as the end of the lease approaches: and this is a disadvantage to everybody concerned.

In favour of the leasehold system, it is urged that as a rule it

leads to estates being much better laid out, and more uniformly maintained. The numerous London squares with their gardens and open spaces were due to the leasehold and not to the freehold system. Some well-known leasehold modern towns have roads and houses and amenities much superior to freehold ones. The system facilitates and encourages building. It enables the builder either to make a better profit or to sell on more favourable terms to a purchaser. As a rule, both results are obtained by dividing the advantage between the builder and the purchaser. The builder and the purchaser require less capital. Consequently, the number of men who can build and the number who can buy is increased. Thus, building is encouraged, more land is built on, the supply of houses is increased, and employment is stimulated.

Ground rents enable trustees, charities, insurance and investment companies, and corporations and private individuals to invest in property without undertaking the risks and trouble of managing it. This encourages building by bringing a large amount of money into the property market, which would not otherwise be available.

Leasehold Enfranchisement

So much of the complaints against the leasehold system as are substantial could easily be overcome. A measure which gave to leaseholders power to acquire the freehold of their premises on equitable terms, and subject to reasonable conditions, would be just to the land-owner, and would enable a lessee who had built up a valuable connection to protect himself against being penalised on the expiration of his lease. If it also provided that consent to alteration of and additions to the premises or to their use for any other purpose than the one mentioned in the lease should not be unreasonably withheld, and that no fine or payment should be required for such consent other than any reasonable expense incurred in connection therewith, a great step would be taken towards removing all real objection to the system.

In this connection it should be observed that practical experience shows that very few people are really willing to enfranchise their leasehold property by purchasing the ground rent when the opportunity is afforded them of doing so. What most people expect, when they talk about enfranchising leaseholds, is that they would be able to purchase the freehold interest at much less than its market value. When they learn what the market value is, their desire to enfranchise usually evaporates, unless the reasons why they wish to acquire the

freehold are very strong and very special. All the same, the opportunity of doing so, under equitable conditions, should be given.

What Ground Rents really are

No correct opinion on the leasehold system can be formed unless it is clearly understood, as has already been pointed out, that very frequently what is for convenience called the ground rent does not represent, and often bears no relation to, the value of the land. In many, if not indeed in most cases, it is a purely arbitrary figure fixed as a matter of convenience by the vendor of the property. Sometimes a land-owner lets his land on building leases and fixes a ground rent for each plot. If he makes the roads and puts in the sewers, these ground rents will represent not only the value of the land which is let for building purposes, but a proportion of the land which has been given up for roads, and also the cost of making and sewerage those roads. In most cases, the cost of the preparation of the land for building will be as much as, and in many cases more than, the cost of the land; and such ground rents will, therefore, represent double, or more than double, the value of the land before the roads, etc., were made. When the builder has erected his houses, he may, and frequently does, create what is known as an improved or leasehold ground rent, which is an addition to the previous ground rent, and may increase it by 50 per cent. In that case we get a ground rent of three times the value of the land before the roads were made, and that ground rent thus built up will be the ground rent which the person who buys the lease of the property or the builder will have to pay. In all probability the buyer will not know that the ground rent which he pays is made up of two portions. Nor does it matter to him that it is so divided; but if he, or any one else, imagines that the ground rent which he pays represents the unimproved value, or even the improved value of the land, he is under a great misconception. It is really only a fixed first charge on the property.

Often they bear little or no Relation to the Value of the Site

Another very common case is that where the builder purchases the land freehold, and makes his roads, puts in his sewers, and builds the houses. There is then no ground rent: but he proceeds to create ground rents, and he creates them for amounts which are quite arbitrary. Not infrequently he creates them to meet the convenience of his customers. He may have a whole road of houses all alike.

He will sell them freehold out and out if a buyer wishes : and there will not be any ground rent. Or, he will sell them at varying ground rents as the amount of cash the various purchasers are prepared to pay varies. If he creates a ground rent of £5 per house, the purchaser will pay him some £125 to £140 less for the leasehold than he would have done for the freehold. If he makes the ground rent £8, the purchaser will pay some £200 to £220 less than if it had been freehold, and £75 less than if the ground rent had been £5. If he makes the ground rent £10, the purchaser will pay some £250 to £275 less than if it had been freehold, and correspondingly less than if the ground rent had been £5. That is to say, within limits, the ground rent is fixed according to the amount the purchaser is prepared to pay for the leasehold interest. In such a case, the value of the land before the roads were made would possibly represent a ground rent of £2 : 10 : 0 per house ; and after the roads and sewers were made, but before the house was built, it would probably represent a ground rent of £5 per house. There are many other ways in which ground rents are arranged, with the result that they often vary very much on adjoining properties, in the same street, the sites of which, and the houses on which are precisely similar. The ground rent on one house will sometimes be five or six times as much as the ground rent on the next and precisely similar house. A case was quoted before the Town Holdings Committee in which two houses in Warwick Square built upon land of exactly the same value, which had been leased by Mr. Cubitt from the then Marquis of Westminster, were leased by Mr. Cubitt, one at a ground rent of £26 a year, and the other at a ground rent of 1s. a year. It is clear, therefore, that a ground rent is no criterion of the value of the land, nor does it all represent what the owner or the builder has got or is getting for the land. It is often a first charge, a permanent mortgage, so to speak, on the whole property, land and buildings, the amount of which is fixed to suit the financial convenience of the vendor and the purchaser at the time the charge is created, and the leasehold interest is sold. Consequently, when writers and speakers, as they sometimes do, work out the amount of such ground rents per acre, and compare the total thus arrived at with the value of the land before it was developed for building, and assume that the difference represents the increase in the value of the land, apart from the expenditure on it for roads, sewers, and buildings, they are under a complete misapprehension, and are entirely misrepresenting the facts.

*The Price of Leasehold Property allows for giving it up
at the End of the Term*

Another phase of the leasehold question about which there is much misconception, and consequently unfounded prejudice, is the idea that the purchaser of a leasehold property at the end of the lease has to give up to the land-owner the building which he bought and paid for, without any allowance being made to him for so doing. That is not so. The purchaser of a leasehold property pays less for it, in proportion to the income he derives from it, than he would for a freehold property yielding the same income, and one reason why he gets that property at that lower price is that his ownership of it will cease at the end of the lease. No one will give the same number of years' purchase for a leasehold property as for a freehold one, other things being equal. He pays a lower price, and consequently gets a higher return because he has a lease and not a freehold. The price he pays allows for the fact that he has to surrender the property at the end of the term. When he has paid the lower price, and had the higher return on his money, because he had to give up the property at the end of the lease, it is absurd for him to turn round then and claim that he ought to retain the property as though he had paid the freehold ownership price for it, and consequently had had the correspondingly smaller return on his money.

The following illustration will show how the thing works. On a site, the unimproved land value of which is £100, a house is built which sells freehold (land and building) for £1050, and lets at £60 on lease. That will show a return to a purchaser of £5 : 14 : 3 per cent. On the next site, a precisely similar house is built, but in this instance the builder creates a ground rent of £10 a year, which he sells for £250, and he sells the leasehold interest for 99 years for £800. The builder thus obtains as much for this property as for the previous one ; but in this case he gets his £1050 from two people—£250 for the ground rent, after allowing for the expenses connected with its creation and sale, and £800 for the leasehold interest. As the purchaser of the leasehold will have to pay the ground rent of £10 out of the total rent of £60, the net rent he will receive as his return upon his £800 will be £50 a year. Now £50 a year on £800 is £6 : 5s. per cent, whereas the purchaser of the freehold house only gets £5 : 14 : 3 per cent on his purchase money. The difference of 10s. 9d. per cent represents the lower price that was paid for the leasehold property, because it was leasehold. If the purchaser of

the leasehold puts aside each year 3s. 4 $\frac{3}{4}$ d. per cent on the purchase money—that is to say £1:7:2 on the £800—and allows it to accumulate at 3 per cent, he or his successors will have in hand at the end of the 99 years' lease, the whole of the £800 which they paid for it. As the rate of interest which the rent showed on the purchase price was 10s. 9d. per cent more than it showed on the purchase price of the freehold house, the owner of the leasehold house would be able to set aside the 3s. 4 $\frac{3}{4}$ d. per cent for a sinking fund, which would return him the whole of his purchase money at the end of the lease, and still have 7s. 4 $\frac{1}{4}$ d. per cent better return on his investment than the purchaser of the freehold house would get.

It is usual for a leasehold house to sell for about two years' purchase of the rental value, less the ground rent, less than the number of years' purchase that would be given for the same net rental if it were freehold.

The truth is that the purchaser of leasehold property, or his successor, forgets or ignores the fact that he bought it at a price which yields a higher return because it was leasehold: and also that he either does not know how small a sum set aside every year would redeem the whole of his purchase money at the end of the lease, or he does not set up the sinking fund because he prefers to use the money in other ways. Be that as it may, it is perfectly clear that he has no grievance. He has had what he paid for—namely, the use of the property for 99 years, and the price he paid for that use was based on the fact that he would have to give it up at the end of the term. During the currency of the lease, he takes all the increase there may be in the value of the property. If the site increases in value he has the use of it at a rent below its value.

The Land-owner's Position

On the other hand, what is the land-owner's position? He does not get cash for his land which he could invest elsewhere with a prospect of increase in value. He gives up all right to any increase of value for 99 years. He has not even a mortgage which he could call in. He gets a well-secured income, but he is bound hand and foot for 99 years, unless he sells his interest, and then his successor is bound just as he was.

It is interesting to note that when it is pointed out that the leaseholder gets all the increase in the value of the property which occurs during the 99 years of the lease, and that the land-owner forfeits all that until the lease ends, land taxers at once begin to

talk about decreases in value, and the possibility, if not indeed the probability of that; although their usual contention, when it suits their argument, is that land, especially in towns, is always steadily rising in value.

The present discounted value of all the fixed money payments under, say, a 99 years' building lease, tends to be equal to the present capital value of the land, after allowing for the obligation to return the land with the buildings on it at the end of the lease, and the inconvenience of restrictions on the use of the land.

Most people overlook the remarkable results which the cumulative power of compound interest gives. Professor Marshall points out that the discounted value of a very distant rise in the value of land is much less than is commonly supposed. Taking interest at 5 per cent (and it was much higher during the Middle Ages), £1 at compound interest would amount to about £17,000 in 200 years, and £40,000,000,000 in 500 years. "Therefore, an expenditure by the State of £1 in securing to itself the reversion of a rise in the value of land which came into operation now for the first time, would have been a bad investment unless the value of that rise now exceed £17,000, if the payment was made 200 years ago; if 500 years ago, to £40,000,000,000."¹

The Gorringe Case

As an illustration of what the facts really are, and of the misleading interpretations which are put upon them, we may take the celebrated Gorringe case. Concerning that, Mr. Lloyd George, speaking at Limehouse on July 30, 1909, said:

There is the famous Gorringe case. In that case advantage was taken of the fact that a man had built up a great business, and they say, "Here you are, you have built up a great business here; you cannot take it away; you cannot move to other premises because your trade and goodwill are here; your lease is coming to an end, and we decline to renew it except on the most oppressive terms." The Gorringe case is a very familiar case. It was the case of the Duke of Westminster. Oh! these dukes, how they harass us. Mr. Gorringe had got a lease of the premises at a few hundred pounds a year ground rent. He built up a great business there. He was a very able business man, and when the end of the lease came he went to the Duke of Westminster, and he said, "Will you renew my lease? I want to carry on my business here." He said, "Oh, yes, I will, but I will do it on condition that the few hundreds a year you pay for ground rent shall in future be £4000 a year. In addition to that he had to pay a fine—a fine, mind

¹ Marshall, *Principles of Economics*, p. 446.

you!—of £50,000, and he had to build up huge premises at enormous expense according to plans submitted to the Duke of Westminster. All I can say is this—if it is confiscation and robbery for us to say to that duke that, being in need of money for public purposes, we will take 10 per cent after all you have got for that purpose, what would you call his taking nine-tenths? These are the cases we have got to deal with. Look at all this leasehold system. A case like that is not business; it is blackmail.

The Facts

What were the facts? Was the price which Mr. Gorrington was asked to pay an excessive one? Was advantage taken of the fact that he had built up a business there, and could not move to exact “most oppressive terms”? Was it “blackmail”? The area of the site was 48,634 feet, and the price arranged for it, including what is called the fine, worked out at 2s. 6d. per super foot per annum, or the equivalent of about £6000 a year. Every one who knows anything of the value of land in that and similar districts in London, knows that 2s. 6d. per super foot per annum was a very fair and reasonable price for that site. It was not excessive, and there was no oppression or blackmail about it. Indeed, when Mr. Gorrington shortly afterwards floated his concern—business and premises—as a company, the prospectus referred to the fact that this lease had been obtained as one of the favourable features of the undertaking.

Nor was it correct to say that Mr. Gorrington had a lease of the premises at a few hundreds a year ground rent, and was increased from that to £4000 a year and a fine. Before this new lease was arranged, Mr. Gorrington was paying £3665 a year. The original lease from the Duke of Westminster may have been one for a few hundreds a year, but that was not what Mr. Gorrington was paying. He was paying £3665 a year, and the difference between that sum and the amount which the Duke was receiving under his lease went into the pocket of some intermediate person.

What then was the position? During the term of the lease, the Duke received “a few hundred pounds a year ground rent,” for a property which was gradually increasing in value until at the end of the term it was worth £6000 a year. That is, the owner of a property which steadily increased in value from a few hundreds a year to £6000 a year got no benefit whatever from that increase during the whole term of the lease. The lessors among them pocketed the whole of that increase year by year. Those from whom Mr. Gorrington leased the property got a good share of it, and Mr. Gorrington himself did very well, inasmuch as the property for which he was

paying £3665 a year had, by the end of his term, got to be worth £6000 a year for the site alone.

If the Duke had originally let the property subject to an adjustment in the annual payment to be made according to ascertained value, say every 20 years, as he might easily have done, he would have reaped the increment all along, and might have allowed the old lease to run out now, and still have received the value of his property. As it was, others, including Mr. Gorringe, got the increased value year by year. When the lease expired, the Duke naturally and properly relet the property at its then value, and Mr. Gorringe evidently thought he had made a good bargain. Yet this was described as "oppression" and "blackmail"! The view taken of the transaction by Sir Edward Grey when, speaking at Leeds on August 11, 1909, he said, "I see no occasion for praising or blaming, or for regarding it as anything but an ordinary business transaction," is undoubtedly the sound and reasonable one.

Would the Government or any one else have acted differently?

Would any one else, would the Government themselves have acted any differently if they had occupied the Duke's position with regard to this site? If the land of the country had been nationalised, would Mr. Gorringe have done any better? Every one knows very well that he would have found the Government as difficult and probably far more difficult to deal with than the Duke was. In connection with the discussion of this case, several instances of the methods of the Government under similar circumstances were made public. Here are two or three of them. The Union Club in Trafalgar Square had a lease of the site of their property from the Government at £400 a year, which had 20 years to run. They arranged a new lease for 60 years; that is 40 years beyond their unexpired term. The Government increased their ground rent from £400 to £2000 a year, and imposed a fine of £25,000, part of which was spent on the building. In 1907, No. 142 Piccadilly, and 2 Hamilton Mews, which had been held at a ground rent and a fine of £123 each, were relet on a new lease at £950 a year, and a fine of £6600. Similarly in 1908, 143 Piccadilly, and 1 Hamilton Mews, which had been held at a rental and fine of £125 each, were relet, on a new lease, at £900 a year, and £10,000 fine. A Club in Pall Mall had its ground rent increased from £600 to £2500 a year, and a fine of £10,000 was exacted. No. 144 Piccadilly was leased at £104 a year ground rent. In 1881 that lease was surrendered

and on a fine of £5938 being paid a new lease for 40 years was granted at £1112 a year. In 1912 that lease was surrendered, and an agreement entered into to spend money on the premises and pay £1650 a year. Premises in St. James's Street which were leased for £695 a year, and a fine of £695 were re-leased in 1912 to Lloyd's Bank for £3000 on condition that they erected new buildings on the site. No. 98 Portland Place, which had been let at a ground rent of £9, and a fine of £9, was relet in 1912 for £420 a year and expenditure on the premises. Two houses in Osnaburgh Street were similarly increased from £10 to £180 a year with the condition that new premises must be erected. Nos. 114, 116, 118, and 120 Regent Street, which had been let at £1011, were increased to £3700 a year, the lessees to erect new premises.

Are the Government "oppressors" and "blackmailers"? It is sometimes said that the difference is that in one case the money was paid to a private individual and the other to the nation. That does not affect the matter at all. In both cases, it was paid to the owner of the property. In both cases the leaseholders had to pay. It did not matter to them to whom they paid; the important thing was that they had to pay. If it was oppression and blackmail to charge Mr. Gorringe the market value for his site, would it have been any less so for the Government to have done it? The result would have been the same to Mr. Gorringe. Some one had to have the increased value of the site. Ought it to be the owner or some one who was not the owner?

An Interesting Case

Some time ago the following particulars were published about a piece of land belonging to the Governors of the Bishopsgate Foundation. The area of the land is 147,500 feet. Its history may be stated thus:

A. D.			
1664.	Purchased for	. . .	£220 0 0
1754.	Let on 60 years' lease	. . .	20 10 0 per annum.
1816.	,, 21 years' lease	. . .	500 0 0 ,,
1837.	,, 60 years' building lease	. . .	490 0 0 ,,
1898.	,, 91 years' building lease	. . .	3500 0 0 ,,

Clearly this is a case where an increment tax would have been just and equitable; but when and upon whom should it have been levied? Who got the increased value at given periods? Presumably when it was let for £20 : 10s. a year in 1754, that was the value of the land only; and again, when it was let in 1837 and 1898 on

building leases, we may take it that the rents of £490 and £3500 respectively represented the value of the land only. Confining ourselves to the term from 1837 to 1898 during which the value of the land increased from £490 to £3500—who got that increased value? If the increase in value was steady and regular throughout the term, it was an increase of £50 a year each year. Who got that extra £50 in value each year until in the last year the increase in value was £3000 a year? Clearly the leaseholder, and not the land-owners got it. The land-owners had let the land for £490, and they had to see it go up in value at the rate of £50 a year every year, until it became worth £3500 a year, and they had to be content to receive £490 a year for it during the whole of the 60 years. Who ought to pay the increment duty during that time in a case like that? Clearly the person who was getting it—the leaseholder—ought to pay it. But the contention of the land taxers is that the ground landlord who was not getting the benefit of the increase in value ought to be taxed on the increased value. When the property fell in to the land-owner at the end of the lease, and he was able to relet it at £3500 a year, I quite agree that he ought to pay a substantial amount as increment duty; but until he did come into that extra rent, the duty should be levied on the leaseholder as the person who, for the time being, was receiving the whole of the benefit of the increased value.

When much is attempted to be made of the fact that at the end of the lease the buildings, which he did not erect, fall into the possession of the land-owner, it should be remembered, not only that this fact is taken into consideration when the terms of the lease are settled, and that the price at which a purchaser buys a leasehold property allows for it, but also that most buildings are really worth very little at the end of 99 years. They usually have either to be pulled down or to have a large sum expended on them in reconstruction. If they are not completely worn out, they are almost invariably quite out of date or otherwise unsuitable for their position.

The Effect of specially taxing Ground Rents

With regard to the effect which the taxation of land values would have upon the leasehold system and the building and sale of leasehold property, it may be pointed out that ground rents have usually sold at high prices in proportion to the income to be derived from them. They have done so because they yielded a fixed income which was thoroughly well secured. But if they were to be rated,

and taxed directly, and the rates and taxes on them might be varied, they would cease to yield a fixed income, and would consequently fall considerably in capital value. That would mean that a builder who was creating ground rents on his properties, and selling the leasehold interest separately, would get less for his ground rents, and consequently would require a higher price for the leasehold interest in order to make up the difference. This would check the sale of leasehold premises, and to that extent tend to discourage building. If a ground rent be £10 and it can be sold at 25 years' purchase, the builder gets £250; if it can be sold at 27½ years' purchase, he gets £275; but if he has to sell at 20 years' purchase, he will only get £200. If the price fell to 18 years' purchase, as would be possible if the income were made uncertain, he would only get £180. On the other hand, were there no uncertainty as to the income, the price of such ground rents would usually range about 27½ years' purchase, as it did a few years ago. The difference between getting say £200 or £250 for his ground rent would mean that in the former case he would require £50 more for the leasehold interest of the property. That is to say, in the case we assumed a few pages back, the price he would require for the leasehold interest in that particular house would be £850 instead of £800. The difference would be sufficient to prevent the sale. So far as leasehold houses are concerned, the effect of taxing land values directly would be to make leasehold property dearer.

NOTE

Commenting upon proposals for the separate rating of ground values which were submitted to the Royal Commission on Local Taxation, Mr. (now Mr. Justice) Sargant¹ said they appeared to him to be open to several fatal objections. Among them he stated the following:

They would rate owners of fixed rents in respect of an expenditure, the benefit of which accrues primarily to the owners of marginal rents, or, in other words, to the persons having the right to the actual beneficial occupation and enjoyment of the property rated. They would in fact *rate the wrong man*.

They would prevent secured interests in houses from being arranged so as to yield a fixed income, and so would drive cheap or trust capital out of house property and raise rents.

As applied to future contracts, they would fail of their purpose and hamper building, inasmuch as they would impose on developers of land for building purposes, and builders and the persons claiming under them, a prospective liability in respect of the rents forming the reward for development and building, with the result that such rents would rise and the rate be ultimately thrown on the occupier, if (as I presume will be the case) the rate is to be a constant one, *i.e.* applying to the whole kingdom.

As applied to existing contracts, they are markedly confiscatory.

¹ Local Taxation Commission, *Memoranda, etc.*, p. 216.

PART IX

THE TAXATION OF LAND VALUES

VARIOUS PROPOSALS :

WHAT IS CLAIMED FOR THEM

AND

WHAT THEY WOULD ACCOMPLISH

SOME CONTENTIONS AND ILLUSTRATIONS EXAMINED

“ It is unworthy of a civilised government to pursue a certain class of owners with covert hostility, to burthen them with overwhelming taxes, or to deny them effectual protection, in order to make their property worthless, and then to buy it at so many years' purchase of zero.”—PALGRAVE'S *Dictionary of Political Economy*.

“ The fundamental sin of the single tax on land is that it is unjust.”—Professor SELIGMAN.

“ Honesty, after all, is the best policy in this as in all things. The attempt to get either the land or its value without recognising the legitimate interests which the State has allowed to take root and establish themselves is foredoomed to ignominious failure. It is as unfair in its intention as it is likely to prove futile in its operation. It is the broad and easy road that leads to disappointment and destruction.”—JOSEPH HYDER, Secretary to the Land Nationalisation Society.

“ Seeing how great and manifold are the inevitable sufferings of men ; how profoundly important it is that all should give their best will and devote their best intelligence to the alleviation of those sufferings which can be diminished, by seeking out, and, as far as lies within human power, removing their causes ; it is surely lamentable that they should be drawn away by speculative chimæras from the attempt to find that narrow path which for nations, as for individual men, is the sole road to permanent well-being.”—HUXLEY.

“ It seems necessary to repeat what I have said already in the House of Commons, that, whatever the proposals of the Government may be, they will not embrace what is called the policy of the single tax—which, to my knowledge, has not a single supporter in the present Cabinet—and which, in my opinion, and, I believe, in the unanimous opinion of my colleagues, also, by singling out for the purpose of bearing the whole burden of taxation the land to the exclusion and relief of all other forms of property, is consistent neither with justice nor with expediency.”—The Right Hon. H. H. ASQUITH at Ladybank, 5th October, 1911.

“ Many an assembly of ratepayers which would pass with acclamation a simple resolution in favour of the relief of rates would melt away in depression if this resolution were coupled with another, stating exactly the new taxation which would in fact be caused by the necessity of providing for the relief.”—Dr. CANNAN.

CHAPTER I

SOME PROPOSALS FOR TAXING LAND VALUES

WE have seen that the evolution of the principles of taxation has been steadily on the line of devising more and more accurate ways of requiring persons to contribute to the public revenue of the community in proportion to their ability to pay, and of estimating their ability to pay by the amount of their income. The followers of Henry George and land-taxers generally repudiate the theory that taxation should be according to ability to pay, and contend that it should be entirely according to benefit received. They then proceed to assert that all the benefit of expansion, expenditure, enterprise, invention, and increase of population accrues to the owners of land, and therefore they ought to bear all, or nearly all, the burden of public expenditure. They propose to abolish all thought of contribution according to ability to pay, and levy the whole, or most, of the cost of National and local government and services upon one class in the community.

The Idea of a Single Tax not New

The idea that the requirements of the nation could and should be supplied by levying a single and exclusive tax on some one class of things or on one particular kind of property is by no means a new one. From the time of Charles II. to the end of the eighteenth century, there were several proposals for levying a single tax on all luxuries, and several of the enthusiastic fiscal reformers of those days promised, as the result of the adoption of their scheme, benefits for the whole community almost as great and as far reaching as those which, we are assured, would follow the adoption of the single tax nostrum of the present day.

Sir William Decker (1743), Postlethwayt (1757), and others in the eighteenth century strongly urged a single tax on houses. John Locke advocated a single tax on land in 1692. Vanderlint

emphasised and supported the same view in 1734. In France the Physiocrats—notably Guesnay, Mirabeau, and Turgot—urged that a single tax should be levied on land, on the grounds, first, that land was the source of all wealth, and second that however, and on whatever, taxes, direct or indirect, were levied, they must always ultimately fall on land, and therefore it would save trouble and cost to levy them there at the outset. Henry George has in our day revived, refurbished up, and in some particulars recast these old views.

There has always been in this country the theory that we should make the rates payable bear some approximation to the services rendered and the benefit received, but the application of that theory has hitherto run out in precisely the opposite direction to that suggested by Henry George and his friends. Thus the Lighting and Watching Act of 1833 provided that buildings and their sites should pay three times as large a rate for the purposes of the Act as agricultural land. The Public Health Act of 1848 provides that railway lines and canals shall be assessed at one-fourth their annual value. This arrangement applies to the greater part of the rates of English towns. The Agricultural Rates Act applies to the remainder of the urban rates and all the rural rates, and provides that agricultural land (but not farm-houses) shall be assessed at half its annual value for all ordinary rates except those for which it is, under previous Acts, assessed at a quarter.

What the Supporters of the Proposal have to prove

In order to justify their proposals, the advocates of the special taxation of land values have to prove :

(1) If they advocate the raising of all taxes and rates, or of all rates only, by levies on land values, that the owners of land are the only persons who ought to be taxed, and that they ought to be taxed according to and only according to the land they own ;
or,

(2) If they advocate the levying of special additional rates or taxes on the owners of land in order to relieve the payers of other rates or taxes, that owners of land do not now pay their fair share.

Henry George and his followers, the United Committee for the Taxation of Land Values, attempt to sustain the first of these propositions by contending that land is different from all other commodities in that it is a gift of nature, limited in quantity,

necessary for our existence ; it does not owe its existence to man, its value is due to the presence and activity and expenditure of the community ; it cannot be carried away or concealed. It is alleged that land ought not to be and cannot rightly be private property ; that it is the possession of the human race, and each individual on being born into the world is there and then seized with a right to a share of it—a right which is inalienable by any one living or dead ; that to tax it to its full value, apart from the improvements which have been made on it, is but to restore to the people their own property of which they have been robbed by force and fraud.

We have already dealt with and, we submit, disposed of most of these contentions, and it is unnecessary to traverse the same ground again. We will only refer to them now so far as is needed in order to maintain the completeness and harmony of the argument.

“ Land Different from Other Commodities ”

That land is different from other commodities in important particulars is true and obvious ; but the difference is not quite so great or so important as it is represented to be ; nor does that difference justify depriving other people of it by force and without compensation when it has come into their possession. It is true that everything comes from the land in the last resort. The raw material of everything we have comes from the land. Does that give to every person a right to a share of so much of the value of everything as is the value of the raw material in it that came from the land ? If not, why not, if the contention that every one is entitled to a share in the land be sound and that no one past or present had or has a right to alienate that share ? If the expenditure of time, labour, and capital upon the elements of the earth gives a right to possession of those elements, why does not the expenditure of time, labour, and capital upon the land itself give the same right of possession ?

If you may cut down trees and make them into planks, doors, windows, or furniture ; or you may dig up clay and make it into bricks, drain-pipes, or pottery ; or you may quarry stone and cart away sand, gravel, and lime, and with them build houses, construct pavements, piers, locks, and breakwaters ; or you may mine and extract coal, iron, lead, or tin, and all these things are properly and legitimately absolutely your own property, why in the name of all that is reasonable, if you expend time, labour, and capital in clearing, repairing, draining and fencing, equipping, and cultivating the soil on the spot, are you not entitled to own it as completely as

if you cart it away? Though land itself is not the product of industry, most of its value and more of the qualities which give it value are so. Labour and capital and skill and knowledge are not only requisite for using it, but are almost equally necessary for making it usable. In many cases, even when cleared, its productiveness is wholly the result of labour, capital, and skill.

“ Land Necessary to our Existence ”

It is true that land, as are several other things, is necessary to our existence; but ownership of it is not. What is necessary is a foothold, a habitation and power to obtain sufficient of the produce of the earth to enable us to sustain life. It is not a necessity of existence that land should not be appropriated as private property, nor that it should be taxed to its full value exclusive of improvements. If private property in land be wrong and every human being has an indefeasible natural right to a place on it and a share of it, the adoption of the single tax proposals would not remedy the wrong or give him his place and share. For all practical purposes his position as regards the land would be the same as it is to-day. All that would happen would be that the taxes he now pays would be shifted to some one else, which means that the poorest, who are the smallest tax-payers, would get the least relief and the rich, who are the largest tax-payers, would get the most.

The True Principle of Property

It has been shown that sound public, economic, and historical reasons exist for land being appropriated as private property. Of course, it is held as all property is, whether it be the result of personal labour and effort or not, subject to the paramount interest of the general well-being.

The raw material of the earth being a gift of nature, being limited in quantity and access to it, or its products being necessary for our existence, it does follow that private property in it is specially and peculiarly altogether subordinate to the general policy of the State whose duty it is to promote and safeguard the common good. This does not mean that if it be thought desirable that the State should own all or any particular part of the land of the country or should, beyond and in addition to exacting an equitable amount of taxation from its owners, annex the whole or a defined portion of its annual value, it would be right for it to do so without recouping its owners for such land or income as it desired to acquire. What sound policy

and the true principle of property gives to owners of land is not a right to do as they like with their land, not a right to demand that the State shall not take any part of it or require its use in any particular way—what it does give is a right to compensation for whatever portion of their interest in land it may seem desirable for the State to deprive land-owners of. To that their claim is indefeasible and irresistible. To this extent and to this extent only property in land, as in anything else, is sacred.

That land is a gift of nature and does not owe its existence to man is no reason why, after it has been the policy of all civilised nations in all ages in all parts of the world to adopt and maintain the principle of private property in land under the most solemn and binding sanctions which law and custom could devise, the State should suddenly turn round, reverse the policy of centuries, rip up contracts, and confiscate that property which it had hitherto treated as so inviolable that it was, next to and co-equal with its own bonds, the security in which is required trustees for the weak and helpless to invest their funds.

New and Old Countries

We are not now discussing the wisdom or otherwise of adopting the policy of the single tax or some near approach to it in a new country where there is comparatively little else of value than the land, and where almost every one is a land-owner, and where those who, as the virgin soil is settled on and the new towns are founded, acquire their holdings with a knowledge of what the special system of taxation is. For such a system of obtaining a revenue in such countries under such conditions there is much to be said.

In an old country like our own with rights, interests and expectations which are the growth of centuries, “the fundamental sin,” as Professor Seligman well expresses it, of the single tax on land is that it is unjust. That being so, no apparently plausible exposition of the advantages and benefits that would accrue to the rest of the community from the unjust treatment of a section of their fellow-citizens can render the policy of so treating them a possible one for honourable men. The fundamental sin of the scheme is that it singles out one class of persons—a small minority of the whole community—one section of property owners, for taxation, and proposes to penalise them enormously in order to entirely relieve others, without paying any regard whatever to the capacity of the persons penalised to bear the burden as compared

with those who are to be relieved. The comment of Professor W. Smart on this scheme is as just as it is caustic :

One class, the landowners of the country, are arraigned before him (Henry George), and pronounced guilty of having in their possession something which they should not have : and he proposes to pay for the government services as courts of justice might conceivably pay their judges and officers—by fines. The Single Tax, in short, is a proposal to kill three birds with one stone—to abolish private property in land, to lay violent hands on the revenues of one class without compensation, and to make taxation unnecessary by using these revenues. It is not a system of taxation, but a *method* of confiscation.¹

John Stuart Mill's Opinion

John Stuart Mill² uses the following language respecting the suggestion of an exclusive tax on what is called realised property. He especially referred to an exclusive tax on “land, public funds and money lent on mortgage.” The language applies with even greater force to a proposition to put a special additional tax on one class only of such property, *viz.* ground values.

Except the proposal of applying a sponge to the national debt, no such palpable violation of common honesty has found sufficient support in this country during the present generation to be regarded as within the domain of discussion. The burthen thus thrown on the owners of the smaller portion of the wealth of the community, would not even be a burthen on that class of persons in perpetual succession, but would fall exclusively upon those who happened to compose it when the tax was laid on. (That is to say, the present owners of ground-rents would be the only sufferers.) As land and those particular securities would yield a smaller net income, relatively to the general interest of capital and to the profits of trade, the balance would rectify itself by a permanent depreciation of those kinds of property. Future buyers would acquire land and securities at a reduction of price, equivalent to the peculiar tax, which tax they would therefore escape from paying ; while the original possessors would remain burthened with it even after parting with the property, since they would have sold their land or securities at a loss of value equivalent to the fee-simple of the tax. Its imposition would thus be tantamount to the confiscation for public uses of a percentage of their property, equal to the percentage laid on their income by the tax. That such a proposition should find any favour is a striking instance of the want of conscience in matters of taxation, resulting from the absence of any fixed principles in the public mind, and of any indication of a sense of justice on the subject

¹ *The Single Tax*, p. 13.

² *Principles of Political Economy*, book v. chap. ii. sect. 3.

in the general conduct of governments. Should the scheme ever enlist a large party in its support, the fact would indicate a laxity of pecuniary integrity in national affairs, scarcely inferior to American repudiation.

The point upon which Mr. Mill dwells in connection with such a tax as we are now considering is an important one. It is a peculiarity that all permanent taxes on fixed secured incomes fall entirely upon the person who happens at the time the tax is imposed to own the security from which the income is derived. The capital value of their property is reduced at one stroke by the full capital value of the permanent reduction in income. That very much accentuates and aggravates the injustice of the proposal.

“Rent is Robbery,” but it would continue

Henry George's scheme of taxation is not only unjust—which alone should be sufficient to banish it from the sphere of practical politics—the arguments by which he supports it and the plan by which he proposes to give effect to it are inconsistent and contradictory. He says, “All men have an equal right to the use of the earth.” Then why tax them for exercising that right?

According to his theory and contention rent is robbery, it condemns the worker to helpless and degraded slavery; it prevents any increase in wages; it swallows up all the results of progress and of increase in productive power; it is the great evil of our time; it fills our prisons and our workhouses, and is the chief cause of misery, sin, disease, suffering and brutality. Yet he does not propose to abolish it. Under his scheme it would have to be paid as now. It would be paid to private owners as now, with this difference, that they would be compelled to extract from the occupier the utmost rack rent that was possible because the State would tax them to that extent. If rent keeps the worker in slavery, he would remain there. If rent be the cause of so much terrible misery, want, crime and wrong-doing, the horror and the sorrow would continue.

The only difference under his scheme would be that the owner would be taxed to the full amount of the economic rent he received; but the occupier would have to pay it as he does now. The only benefit the occupier would get would be that he would be relieved of such taxes as he now pays as were abolished as the result of the State receiving the rent tax. As the bulk of the taxes are paid by the middle and well-to-do classes, the amount of relief that would be given to each working class household, though very acceptable, would not be great. Certainly it would not be sufficient to in-

augurate the millennium which Mr. George portrays in such glowing colours. The humour of the thing is that Mr. George tells us that it is rent that is the cause of all our troubles, and his remedy is to continue rent in its most extreme form and abolish taxes! If rent is robbery by individuals, single tax is robbery by the State. Yet the one is the curse of mankind and the other is the panacea for the woes of the world! If rent be robbery it should be put an end to and the plunder should be restored to those who have been robbed. Instead of this, Mr. George proposes to keep and continue it and expend it for the benefit of the public at large!

Mr. George says that rent is a tax upon labour and that all that a man produces is his own, as against all the world, and to take any part of it from him is robbery. He says that "rent is a portion of the wealth created by producers," and that "when non-producers can claim as rent a portion of the wealth created by producers, the right of the producers to the fruits of their labour is to that extent denied." If this be so and it is unjust, it is clear that for the State to allow that rent to continue and to take it for itself in the form of the single tax is to acquiesce in robbery of the producer. Obviously, then, either rent is *not* a tax upon labour and a robbery of the worker or the single tax would be a hypocritical fraud, a mere substitution of State theft for individual robbery.

The hopeless confusion of mind in which Mr. George lived and wrote is illustrated by the fact that he also said "economic rent which is in no part made up from labour and capital, but is the creation of the community, necessarily belongs to the whole community." If it be true that economic rent is in no part made up from labour and capital, why does he talk elsewhere of rent being a tax on labour, "a toll levied upon labour constantly and continuously," and how can it be rent that makes the labourer a slave?

Mr. George is an argumentative weathercock. He changes his position and contention at any moment to suit the view he wishes to enforce, no matter how inconsistent it may be with the opinion and principle he was expounding a few minutes before. When he is denouncing the present land system as robbery he asserts that rent is part of the "fruit of men's labour." When he desires to confiscate it and seize it for the State, it is no longer the product of labour, it springs into existence "without the exertion of any known factor of production." It is the result of the aggregation of a number of persons, in a word, of the growth of the community!

When people talk thus about the "fruit of men's labour" and

a "tax upon labour," and others speak of everything being due to labour and suggest that landlords, employers and capitalists are a burden upon industry depriving "the workers" of the legitimate result of their efforts, which they appear to conceive to be practically the whole value of the commodity produced, it is clear that they have not really thought out the facts of the position.

The Foundations of Society

What a man calls the value of his own work is usually an aggregate value of numerous sources of contribution of which his was only one and probably quite a minor one. Usually the raw materials were not his. Often the tools he used and almost invariably the machinery with which he worked were not his. The building in which he worked and the engines which drove the machinery were not his. Other workers, some more ingenious and skilful than he, made contributions to the production without which his would have been valueless. And the whole depended on the knowledge, mental calculations, anticipations and foresight and courage of his employers. The conceptions which create the business and set the workers agoing, and run the risks, and provide the ingenuity which meets an existing demand, or creates a new demand, are far more important than the mere manual work done by the employees. As the Duke of Argyll so forcibly pointed out in *The Unseen Foundations of Society*, the value of these higher qualities and the possibility of successfully making effective use of them depend on the existence of a settled and stable society, and a sound and just system of jurisprudence under which the reign of law is paramount and rights are maintained, contracts enforced and possession secured. One reason why the proposals and teaching of Henry George and of others who follow on his lines, though they may not go so far, are to be deprecated so strongly, is that they undermine "the unseen foundations of Society," and put in peril the stability of that structure of settled law and justice, public honour and confidence, which has evolved from centuries of travail and experience.

"The very greatness of the public interests concerned," says Professor Alfred Marshall, "makes it specially necessary to bear in mind, when discussing the equities of the public value of land, that a sudden appropriation by the State of any incomes from property, the private ownership of which had once been recognised by it, would destroy security and shake the foundations of society."¹

¹ *Principles of Economics*, p. 803.

Some other Proposals

We may now pass on to consider the arguments and position of those whose advocacy of the taxation of land values falls short, for one reason or another, temporarily or permanently, of the full-blooded doctrine of the "Prophet of San Francisco" and his followers in this country. These proposals for the taxation of land values vary much in character, objects, and the principles upon which they are based. Some of them are just and equitable, perfectly reasonable, and quite practical. Others are in principle, though not in the extent to which they are carried, as unjust and indefensible as Henry George's single tax scheme, and are intended by many of those who support them to be a first step, and that a considerable one, towards the adoption of his policy of confiscation.

These various proposals may be summarised and considered in the following categories :

(1) Those who desire that a special additional rate should be levied on the capital amount of land values only, the money obtained thereby to be used to relieve the ordinary local rates. Opinions amongst the supporters of this proposal vary as to the amount of this rate on land values and whether it should be entirely levied and allocated locally, or should be levied at a uniform rate all over the country and then be allocated to localities, not in proportion to the amount of the land values in their area but in proportion to their population.

(2) Those who desire that local authorities should levy all local rates on the capital value of land only and thereby remove all houses, buildings and improvements from assessment and relieve them of rates.¹

(3) Those who agree with the second group and desire that in addition a national or budget tax should also be levied on land values, the proceeds to be allocated towards the local cost of such services as education, poor relief, main roads, and police, and in substitution for the duties on tea, sugar, cocoa and other articles of food.

¹ Sir G. L. Gomme, Clerk to the London County Council, in reply to questions from the Royal Commission on Local Taxation, said :

" I do not think that local rates should be divided between owners and occupiers of real property, but that the whole of local expenditure should be charged upon the owners of site values. I think that ground values should be rated directly for all local services, and for this purpose the valuation lists should contain only the site value of each property, together with the names of the owners of such site value and the amount held by each owner, so that the taxation should fall upon each owner in proportion to the amount held by him."—*Memoranda*, p. 242.

The proposals embodied in (2) and (3) are those which were contained in the Memorial which was signed by 143 (since said to have been increased to 176) members of Parliament, and presented to the Prime Minister and the Chancellor of the Exchequer in August 1910.¹

Some Elementary Considerations

Many of the advocates of these proposals appear to think that they have made out their case if they show or even assert that some people would be better off than they now are if effect were given to them. Of course, if rates were taken off a large class of property and placed entirely upon a much more limited class, or to express it more accurately, if the great majority of the occupiers of land and buildings were relieved of all rates by charging them entirely upon a comparatively small section of the community, the change would be a financial advantage to those who were thus relieved. Similarly, if all taxes be taken off tea, sugar, cocoa and other articles of food, purchasers of those commodities in proportion to the extent of their purchases will benefit thereby. Equally obviously if you can "free" industry of all kinds—agriculture, mining, forestry, building, manufacturing, engineering, public works, transport, distribution—from "burdens," it will be a great gain to those who are thus relieved. In the same way it would be a great boon, at any rate temporarily, to the great majority of the people if they could be altogether relieved of all rates and taxes by placing those burdens entirely upon the shoulders of the rich: the boon would be increased, for a time, if it were decreed that in future no more rent should be paid and that every one should live rent free. Many other advantages of a similar sort could be obtained by similar methods; but all this kind of emotional rhodomontade, with which the publications and speeches of the advocates of policies of public plunder abound, evades

¹ That Memorial asked:

1. That Local Authorities should be empowered to levy rates on the basis of the valuation provided for in the Budget of 1909-10.

2. That a Budget Tax should be levied on all Land Values and be applied:

(a) In providing a national fund to be allocated toward the cost of such services as Education, Poor Relief, Main Roads, Asylums, and Police, thereby reducing the local rates; and

(b) In substitution of the duties on Tea, Sugar, Cocoa, and other articles of food.

In expounding this policy before the Departmental Committee, 1912, as the representative of the Land Values Group of M.P.s, Mr. C. L. Davies said that "in no case should the value of bricks and mortar be brought into the assessment," and "the whole of local expenditure should be charged upon the owner of site values" (*Ans.* 1049 and 1519).

and ignores the really important and practical questions which at once present themselves to the minds of sensible and honest people when these pictures of the coming millennium are portrayed. To whom are the burdens, charges and responsibilities, of which the great mass of the people are to be relieved, to be transferred, and by what process of reasoning and under what code of morals is this transfer—this robbing of Peter in order to relieve Paul—justified and defended ?

CHAPTER II

TO WHAT EXTENT DO LAND-OWNERS PAY RATES AND TAXES NOW ?

WHAT the advocates of any scheme for the exceptional taxation of land values have to prove is that there is in our midst some class of persons who, in respect of some kind of property—land-owners and land values to wit—are escaping the payment of their full and fair share of rates and taxes. In so far as that can be done, there is a case for adjustment and reform : but if and where that cannot be done, the suggestion that a particular class of persons should be penalised, and that so doing will be justified because a large number of other people will be benefited, is simply the policy of the brigand and the highwayman condoned by wholesale public bribery in the form of a wide-spread sharing of the plunder. In this connection, also, we must always remember that :

We never have to deal with taxation in the abstract, and equity cannot be attained without regard to present circumstances. A system of taxation, when it has once come into operation and remained in operation long enough to become accepted as something on the continuance of which men may depend in making contracts with one another, becomes part and parcel of the general scheme of the distribution of wealth, and it is considered that expectations founded on it are legitimate, expectations which it is unjust to disappoint.¹

What Rates and Taxes they ought to pay

What then are the facts and equities of the matter ? What rates and taxes ought the owners of land to pay, as such, and what rates and taxes do they pay ?

(1) Clearly, they ought to pay all the ordinary rates and taxes which other people pay.

(2) They ought to pay all rates which are necessitated by ex-

¹ Cannan, *History of Local Rates*, p. 169.

penditure which specifically and specially maintains and benefits their property as distinct from expenditure which is for the general advantage and safety. They ought also to bear the cost of those services which are required because the property is where it is and those which are more costly than they would be elsewhere. Services are required in great cities which are not necessary in rural villages, and services similar in character to those which are required in all areas are much more costly in populous centres. The cost of street paving, cleaning, and lighting, education, police, drainage, and the like is vastly greater per head in large towns than in rural districts. The conditions which increase these charges are the same as those which increase the value of the land in thickly populated urban areas. Each is inseparable from the other. The extra cost is necessary to enable the land to be used for the purposes for and under the conditions which it is used, and it is the possibility of the land being thus used that gives it its special value. Most of the services mentioned are, under modern conditions, regarded as essential, and, with the exception of education and police, would have to be provided by the property owners if they were not provided by the local authorities. They are part of the value of the property to the occupier, and the cost of them should, therefore, come out of that value.

(3) In addition to the foregoing, there are certain general or national services, such as poor relief, police, education, and main roads, the cost of which is wholly or partially borne locally. The local rates levied in connection with the expenditure on these services are onerous rates. They do not add to the value of the property: they are a burden on it; and in so far as in each locality they exceed the amount that would be payable for the same class of services in respect of similar premises in a low-rated rural area, they are a burden on the land-owner. Whether they are charges which ought to be laid upon one class of the community need not now be discussed. As a matter of fact they have been so laid, probably not deliberately and intentionally, and with a clear view that the burden would fall precisely where it does. It is quite probable, if not indeed certain, that when the more recent of these charges were levied as local rates it was supposed that they would really be borne by those upon whom they were primarily levied, and that as the value of the premises occupied was in the majority of instances a rough indication of the financial position of the ratepayers, the charge would fall upon them approximately in proportion to their ability to pay. We

know that originally the old charges for poor relief were intended to be levied according to ability to pay. Nevertheless these charges have become permanent, and, so to speak, of the nature of hereditary burdens on land. Those who now own land have for the most part acquired it subject to these charges, and if they have purchased it they have done so with a knowledge that these charges existed, and consequently at a price which allowed for them. That being so, we need not now discuss whether they should or should not have been so levied. To remove them would be to make a free gift of their capital value to all who have purchased land since they were imposed. Rightly or wrongly they must now remain.

(4) Lastly, the opinion has for some time been widely held, and recent legislation has given effect to it, that some part of the future unearned increment in the value of land should be appropriated by the State for public purposes. It appears to be sound and just that, subject to values which had accrued at the time the legislation enacting the new taxation was passed being held exempt, the future value added to land by circumstances altogether apart from and independent of any effort or sacrifice on the part of the owners should be subject to some measure of special taxation for the benefit of the community to whose combined growth and enterprise that added value is largely due.

In this connection it is well that we should remember that whilst it is true that a site in a city is worth more than one in a village, and one in a village is worth more than one on a desolate moor, the site is not the only thing that is worth more under these conditions. The practice of a lawyer and a doctor, a newspaper, a singer, an actor, and any tradesman's business, are worth vastly more in a city than in a village, apart altogether from any question of the ability of the individual. In almost every business and profession large and increasing profits depend upon the growth, enterprise, and corresponding expenditure of the community, which means an increased demand for their goods or services. Land increases in value because more people want to occupy it. The profits of tradesmen and professional men increase because more people want their products or their advice. In both cases the people, and consequently the demand for land and for goods and for professional services, have been gathered together there by the natural advantages of the locality and the enterprise and expenditure of the local community and of those who have built up great industries there.

On the other hand, there is an important difference between the increment which arises in connection with land and that which arises in connection with a business or profession, in the fact that the latter is open to all members of the community for them to take advantage of, if they have the ability so to do, and the other is confined to the owners of the particular land which is benefited.

In connection with the increment in the value of urban property it should be remembered that the local authorities take a toll of a very considerable portion of that increment for local purposes in the form of ordinary rates and taxes. Sir G. L. Gomme, in his evidence before the Royal Commission on Local Taxation gave some details of the increase in the rateable value of property in London which had not been rebuilt. The rateable value of this property in 1871-72 was £19,650,743. In 1897-98 the rateable value of the same property—*all of which was built before 1871*—was £25,131,840. Here we have, apparently, £5,481,097 of pure increment in annual value. If the rates averaged 6s. 8d. in the £ the local authorities would in 1897-98 be taking a toll of £1,827,032, in respect of that increment. In the form of income-tax and house duty the Government would be taking, in that year, a further sum of about £320,000, in respect of that increment alone—making a total of rates and taxes on the increment only, of some £2,147,000 a year. I am not for a moment suggesting that there was any injustice in levying those rates and taxes on that increment—and at the present time the levies on it are much greater. All I desire to record is the fact that very substantial portions of the increment in the value of property are and for generations have been annexed for public purposes.

What Rates and Taxes Land-owners do pay

Having thus stated and classified the rates and taxes which it appears just and reasonable land-owners, as such, should pay, we may now proceed to inquire whether they do really pay them. We, of course, include in the term "land-owners" all owners of all land, whether it be built on or not and whether the owner of the land also owns the buildings or not. So far as the rates and taxes which we have placed in the first category—the ordinary rates and taxes which other people pay—are concerned, land-owners pay their full share of all the taxes that other people pay, and they are also rated as other people are for the premises they occupy. In these respects they pay everything that any one else of similar position, occupation,

and habits pays. Indeed, they pay more than others pay, as the following list of the Imperial taxes which fall specially on land shows :

1. The old Land Tax
2. Local Rates
3. The Increment Duty
4. Undeveloped Land Duty
5. Leasehold Reversion Duty
6. Mineral Rights Duty
7. Stamp Duties on Leases, Mortgages, and Conveyances by sale or gift.

With regard to the rates which we have placed in the second category, those which directly maintain or increase the value of the property, as distinct from expenditure which maintains and benefits all property of all kinds and all members of the community, and those which are larger in amount than they would be in low-rated rural districts, are now very largely borne by the land-owners. In so far as those rates are onerous they are very largely borne by the land-owner. In so far even as they are beneficial but differential they are also borne by the land-owner now. In so far as they are purely beneficial and not differential, the tenant obtains the full benefit of them and receives full value for them. Therefore they fall, as they should, upon him, and no device of transferring the primary payment of them to the landlord will enable the tenant to avoid paying for the benefit he receives, in the form of either rates or rent.

It has been shown in a previous chapter that the statement that land-owners escape the payment of rates is quite incorrect. A very large proportion of the burden of rates falls upon them and is not and cannot be shifted by them. As they also pay their full share of all the rates and taxes that other people pay, they are, in proportion to their possessions and means, by far the most heavily taxed portion of the community at the present time.

It is not here suggested that it is unjust or unreasonable that this should be so. All that we are concerned to do at the present moment is to state and enforce the fact. The cost of poor relief, the local cost of education, and police, the cost of main roads, drainage, and parks, are charges which fall very largely upon the land-owner, and in towns so much of the rates for other purposes as is in excess of the amount that would be paid for a similar house in a rural district also falls upon him.

Feudal Burdens and Local Rates

When feudal burdens are spoken of it must be remembered that they did not fall upon land-owners only. They affected every one according to his status and possessions. The other taxes which accompanied them, and were gradually substituted for them, were not taxes upon land-owners as such. They were, as the feudal burdens were, burdens upon the whole community levied proportionately to the possessions and means of the persons taxed. They were largely levied according to the extent or value of the land and premises occupied, because wealth in those days consisted very largely of houses and land, and the value of the land and houses occupied was taken as an indication of the means and tax-paying capacity of the persons assessed. From the very outset, however, of these taxes, many centuries ago, they were levied also upon stock-in-trade, personal possessions and salaries, and, as has already been conclusively demonstrated, in place of it being the fact, as so commonly supposed and stated, that land-owners shuffled off their responsibilities, the truth is, that it always was persons other than land-owners who evaded and escaped from their liability. In early times, there was no poor rate. When one was instituted some 300 years ago, it was a charge, not upon the annual value of land and houses only, but upon stock-in-trade, and personal possessions. Now it is borne entirely by real property, and its incidence is largely upon the land-owner. From being a charge intended to be levied on all citizens according to their ability to pay, it has come to be a burden upon one comparatively small section of these only—the owners of land. So with the local cost of education, it falls almost entirely upon that one class and upon that one class alone. The explanation of this is simple. Land and houses cannot be carried away or concealed: other possessions and income could and were, and in any case were, continually varying, and consequently troublesome and difficult to discover and assess. The result has been that so far as local expenditure is concerned, the whole burden of it has settled upon land and buildings, and, as we have already shown, by far the greater part of the burdens thus imposed ultimately fall entirely upon the owner of the land. Any suggestion, therefore, for levying special and additional rates or taxes upon land-owners on the ground that occupied land now escapes taxation, is based on an entire misconception of the actual facts of the case.

An Anomaly

While it is undoubtedly the fact that land-owners as a body pay their full share of ordinary rates and taxes, and in addition bear a large proportion of the burden of local rates which are collected from occupiers or paid by them in their rent, it is also indisputable that there are anomalies, inequalities, and injustices in special classes of cases which require consideration and adjustment.

One is put forward very prominently and made great play of by advocates of the taxation of land values. It is that under the present system of assessment for local rates, such properties as large town and country mansions and unbuilt-on land in or in the vicinity of towns are assessed at their letting value, and that this letting value bears no adequate relation to their capital or selling value. Town mansions with large grounds and country mansions and parks which are worth and would sell for scores of thousands of pounds, are often assessed at a very few hundreds, because that is all they would let for. Land in or in the vicinity of towns which would sell at prices ranging from £250 to £1000 an acre is often let as accommodation land or for market-gardens at from £3 to £6 or £8 an acre, and is assessed for rating purpose on that basis. This is, of course, an anomaly, and an absurdity. In the great majority of cases, the rental value of property fairly represents and bears a recognised relation to its capital value, and as it is usually much easier to ascertain and assess rental value than capital value, rental value has been adopted as the basis of assessment. But in those exceptional cases where the rental value bears no adequate relation to the capital value, it would be quite just, and, indeed, it is desirable and necessary, that some method of bringing the assessment more into accord with the actual value of the property should be adopted. This could easily be done. There is no need whatever to revolutionise our whole system of rating and assessment, and base it on capital instead of annual values, in order to accomplish *that*. All that is required could be secured by enacting that wherever the rental value of a property, land, or buildings represents less than, say, 3 or 3½ per cent on its capital value, then the assessable value of that property shall be taken to be 3 or 3½ per cent, as the case may be, on its capital value. That would at once cause the rates on land, which had a higher value than its agricultural value, and country mansions to be paid on something like a fair representation of the real value of such properties. Such taxation at its real value of property which is

bringing in an income which bears no true relation to its capital value would be quite justified, because, in the case of undeveloped land, the owner expects to obtain in the future value of the land a return sufficient to repay him the present loss of interest and profit. He is really prospectively earning an annual revenue from the property in the added capital value which is gradually accruing. In the case of his mansion and grounds he is now deriving an advantage which he considers equivalent to the price for which the property would sell.

A Fallacious Argument based thereon

In this connection, reference may be made to a class of argument and illustration which the advocates of specially and penally taxing land values are very fond of using. They carefully collect particulars of cases where public authorities have paid some land-owner (a duke for preference) a price for land which the rent at which it was let or the annual value at which it was assessed for rating purposes would, alone, never justify. They then proceed to denounce and pillory these transactions as "extortion," and declare that this is the way in which localities are hampered in their expansion, and have to pay for their development. Two illustrations will suffice. The Duke of Northumberland was pilloried by question in the House of Commons and in the publications of the land taxers because the price of a portion of a farm which was rated at £2 an acre was fixed by arbitration at a price which was equal to £931 : 14s. an acre. This, as was proclaimed far and wide, was 465 years' purchase. With reference to some land which the Glasgow Corporation acquired from the Duke of Montrose, the price of which was fixed by arbitration, a leaflet of the Taxation of Land Values Committee says, "The people of Glasgow had to pay him 2000 years' purchase of the assessment on which he paid rates to the County Council. Forty years' purchase would be a liberal price, but the law gives him fifty times this sum."

This kind of "ballyragging," as Sir William Harcourt called it, is obviously unfair and absurd. The first question that a reasonable person will ask is—was the price paid for the land a fair one? If it was a fair one, surely the owner, even though he was a duke, was entitled to it. If it was not a fair one, whose fault was it? Certainly it was not the owner's. He did not fix it. In both of these cases, and indeed, in nearly all others, the price was fixed by arbitration. Can a fairer or more reasonable method be suggested? If so, let us hear what it is. If it is not forthcoming, and if the present

method of fixing the price is not the right one, whose fault is it? Surely it is the fault of Parliament which devised and enacted it. If any one should be attacked and denounced—that is if any one deserves attack and denunciation—it is Parliament, and especially the House of Commons and those who elect it, who should bear the blame and be put in the pillory. But if the method of fixing the price to be paid for the land be a fair and reasonable one—and until a better method can be suggested we must assume that it is—then we are entitled to take it that the price paid was a just price. Doubtless the method of arriving at the price might be simplified and cheapened with advantage to all concerned; but that would not affect the price arrived at, and it is the price that is attacked and denounced.

What bearing on the question of price has the fact, if it be a fact, that in one case it was 465 and in the other 2000 years' purchase of the annual value at which it was assessed for rating purposes? If the assessment is an absurd or anomalous one, that is no reason why the price paid for the land should also be absurd, anomalous, and unjust. It is simply childish to talk of forty years' purchase of the assessment value being "a liberal price," and then to say, with a great show of righteous indignation, "but the law gives him fifty times this sum." If the assessment be a ridiculous one, it cannot be any guide to the purchase value, and it is absurd to treat it as though it were.

The pamphleteers and propagandists attack the price paid without attempting either to adduce the slightest evidence that it is unreasonable, or to suggest a fairer method of arriving at it. What is open to adverse comment and requires reform is the fact, to which we have already referred, that, in exceptional cases, the annual letting value bears no adequate relation to the capital value. We have suggested a simple method of rectifying that. Here again it is not the fault of the land-owner that the assessment was too small, and the rates payable on it were infinitesimal. The property was assessed as the law directs, and the rates paid were those which the law requires to be paid. Is it expected that land-owners will ask that the assessment of their property should be increased beyond the requirements of the law, and that they should voluntarily offer to pay more than Parliament has decided they ought? When some others, and especially their assailants, have attained this special state of grace, it will be time enough to expect in land-owners an abnormal anxiety to pay rates. The law and those who made it, and permit its continuance, may be open to criticism and censure, but those who have simply obeyed it are certainly not open to anim-

adversion for so doing. Even so, that would not affect the price to be paid for the property, which should be based on its real value, and not on any vagaries in its assessment for rating purposes.

Rates on Improvements

It is said that rates as now levied are a tax on improvements and extensions, and that they are a tax on industry and production, and check building and expansion. Taxes have to be levied on somebody. They are a burden on those on whom they fall. If they could be thrown on some one else, those who were relieved of them would gain. That is all as clear as it is elementary.

How are we to raise local rates? To specially tax one class—land-owners—except in so far as they derive special benefit from the expenditure, would be unjust. A local income-tax is not practicable. The value of the property occupied is a rough test of benefit received, and of ability to pay. If a man enlarges or improves his works or business premises, presumably he will do more business, employ more persons, cause more wear and tear of streets, necessitate more police and schools, and more drainage and street cleaning and lighting. It is likely also that he possesses or has access to more capital and will make more profit than others who are in smaller premises. That he should pay more is clearly, therefore, not altogether unjust. The alternative is, that others whose business is not expanding, who are not employing more people, and necessitating more public expenditure, should have their taxation increased, in so far as the burden really falls on occupiers, in order that he may be correspondingly relieved. It means that if two men of equal means live in houses of equal value on adjoining plots of ground, and then one of them is successful in business, and pulls down his house and builds one of three or four times the value of the old one, he is not to pay any more rates than before, because it would be a penalty on expansion and improvement. That would in reality mean that his less successful neighbours would be penalised for his benefit. If, instead of enlarging his old premises, he moves into larger existing ones, his rates will be increased. But no one would then say he was penalised for going into better premises.

“Taxes on buildings are taxes on improvements.” It might be sufficient to reply that so often would be taxes on land. If a man develops his estate—erects works on it, or builds houses or secures the construction of a railway through it—the value of the whole of the land in the immediate vicinity is increased because a

community is gathered together. His own land becomes more valuable, and his taxes upon it would be increased.

In so far as taxes fall on buildings, they are taxes on increased wealth and increased income. A site that is built on represents more wealth and a larger income than when it is not built on. Therefore, the tax on it is greater. If this is a tax on enterprise and improvement, so is the income tax. The more energy a man puts into his business, the more skill and enterprise he displays, the more he launches out, and the more money he makes, the more he is taxed. If he sits still and does nothing, if he declines to exercise his ability and put forth his energy, he will not make the income he might have made, and he will escape the tax which he would have had to pay if he had been industrious, enterprising, and successful. It would, therefore, be as accurate and as reasonable to say that the income tax and the death duties penalise enterprise, industry, and improvements, as it is to say that the levying of rates in proportion to the value of the premises occupied does so.

On whom the Rates really fall

When we further remember that the bulk of the rates do not in reality fall upon the builder or the occupier of the premises, but upon the owner of the land upon which they stand; and that of those which do fall upon the occupiers, part represent services which are of corresponding value and which he would have to provide, possibly at greater cost, if they were not supplied by the local authority, we shall begin to realise that there is not quite so much in this argument as at the first glance there appears to be.

As has previously been pointed out, the value of the site—the price paid for it—is reduced by the amount of the differential rates that will be levied on the buildings which are to be erected on it. If those rates were not to be levied on the property when the buildings were erected, the price obtained for the land would be correspondingly higher. They are, therefore, not really a charge on an average building when it is erected: they have been allowed for in the price of the land. Consequently they are not a tax on improvements, industry, and expansion. It is true that the increased rates become payable when a building has been erected and is occupied, and therefore they appear to be a tax on the building; but in so far as they are differential rates they are not, because they have already come out of the price of the site. It is also true that if an existing building be improved, or an old building be pulled down

and a larger and more valuable one be erected, the rates will be increased, and this may appear to be a definite tax on improvement. But again the fact is that the amount of the rates payable on an average building has already been allowed for in the price of the site, although, if the previous building was below the average in value, the full amount which had thus been allowed for only became payable to the authorities when the building was brought up to the average value.

When the building erected upon a site is more valuable and more highly assessed than the average buildings of the locality, the extra rates payable on that extra assessment are a burden on the occupier, and to that extent rates may be said to be a tax on improvements. The effect of relieving buildings of rates would, therefore, be to benefit the occupiers of these exceptional premises to the extent of the limited amount of the extra rates which they now pay; but that would be comparatively a small matter.

If there were far more substance in this contention than there is; if there were a serious burden on buildings and improvements—if it were not, as has been shown, partial and strictly limited—it would not be sufficient, in order to justify transferring it to land-owners, to show that it is a disadvantage where it is, and that building and extensions would be facilitated if the charges were removed. That might be an argument, if a strong enough case were made out, for removing the charges, but it would be no justification for placing them on land-owners, any more than it would be for levying them on lawyers, ship-owners, or people with red hair. If it is considered desirable in the public interest that buildings should be relieved of rates, that may be a reason for transferring those charges to the general tax-payer so that the burden might be borne by the community as a whole. To justify transferring them to one small section of the community—land-owners—very special, precise, and definite reasons for so doing must be adduced, and hitherto none, except those which are identical in character and principle with the proposals and contentions of Henry George, which have been shown to be untenable, have been forthcoming. Clearly the reason that “land cannot be carried away and cannot be concealed” savours too much of the attitude of the highwayman and the footpad to their helpless victims to commend itself to fair-minded people.

CHAPTER III

THE ROYAL COMMISSION ON LOCAL TAXATION

THE separate rating of land values was very fully considered and reported upon by the Royal Commission on Taxation which reported in 1901. The Majority Report said :

Neither in respect of their ability to pay, nor of the benefits which they receive, does it appear to us that the owners of land values, using the term in its widest sense, contribute inequitably to local expenditure at the present time, as compared with the owners of other classes of ratable property. . . . The advocates of what would be in effect a new land tax, to be applied in aid of local expenditure, have failed to convince us that it would be equitable to select a particular class of ratable property for the imposition of a new and special burden. No new tax on land appears to us to be required to meet any special expenditure incurred by Local Authorities for its benefit, nor does land differ so essentially from other property, as regards the alteration of its value from time to time, as to justify it being rated exceptionally. (P. 44.)

The Separate Report on rating Site Values

A Separate Minority Report, signed by the Chairman and four other Commissioners, dealt exclusively and exhaustively with the question of rating urban site values. The conclusions at which they arrived are summarised in the following extracts :

There is a widespread belief that there is, in connection with site values, a considerable source of wealth, in respect of which persons are either not taxed, or insufficiently taxed, for local purposes. We believe that about this question there is a great deal of misconception, giving rise to unfounded and exaggerated statements.

We feel bound, for the reasons which we have explained, to condemn unhesitatingly all the schemes which have been put before us in connection with the rating of site values. And we think that we have shown—following in this respect the finding of the Town Holdings Committee

—that the agitation on the subject has to a great extent proceeded on a mistaken basis. Starting from a popular misconception of the effect of our existing system of local taxation, the movement has ended in a deadlock, due to the rivalry between several abortive schemes which are alike unworkable and are mutually destructive.

It is certain that site value is included (except in the case of uncovered land) in the value upon which rates are at present assessed: and it is generally probable that every party connected with the property bears indirectly some part of the burden: or at least that the rent which a lessor can obtain, when he makes a new bargain, is diminished on account of the liability to rates which attaches to the occupation of the premises.

We agree with the Town Holdings Committee that a system of direct charge upon owners is desirable, at any rate on political and sentimental grounds, however little effect such a change may have upon the real incidence of taxation. But we go further than that Committee in considering that it is also eminently desirable that the charge which now falls indirectly and irregularly on site value should, if possible, be made more direct and visible, as well as more accurately and evenly apportioned. It is, no doubt, a fallacy to suppose that there are huge untapped sources of revenue in connection with urban land, but it is not a fallacy to think that urban site value is a form of property which from its nature is peculiarly fit to bear a direct and special burden in connection with "beneficial" local expenditure.

Legislation enabling occupiers to violate the contracts which they have deliberately made, and to escape the obligations which they have solemnly undertaken, would be, in our opinion, indefensible. We could admit no compromise on this matter of principle.

We do not forget that almost any change in the incidence of taxation causes some disappointment of legitimate expectations, and we recognise that, since sites have been and are continually bought, sold, and leased for good consideration in the open market, it is out of the question to impose taxation of a confiscatory character. But there is a special circumstance which appears to us to make the present moment especially fitted for the imposition of the proposed rate—a circumstance which, indeed, makes the imposition of such a rate indispensable to avoid injustice. Under the proposals which we have severally made, the burden upon ratepayers in connection with onerous expenditure on national services would be permanently lightened in urban as well as in rural districts.

We admit, and indeed contend, that a large part of the present rates falls on the owners of site value in towns. But the more the burden of rates actually falls upon them now (and some eminent authorities maintain that the entire burden falls on them) the greater will be the ultimate relief which will accrue to them from the increase of State aid. Accordingly, unless the owners of urban ground values are to be relieved at the expense of the tax-payer (a course which probably no one

would advocate), it seems most necessary to accompany the increase of subventions in urban districts by the imposition of a site value rate.

If proper regard be had to equitable considerations, the amount capable of being raised by a special site value rate will not be large ; and the proceeds of it, whatever the amount may be, should go in relief of local, not Imperial, taxation.

They were therefore of opinion that urban places, having a population in excess of a given number, and of a given density, should have the " option " of levying a special site value rate. The purposes for which the site value rate might be raised should in the first place be defined by Statute. One-half of the site value rate should be deducted from the rents payable to owners under all future contracts, and the remaining moiety should be finally charged upon occupiers. The rate in the £ of the new impost should be strictly limited by Parliament. The new site value rate should be charged in respect of the site value of all unoccupied, as well as all occupied, property and of all uncovered land which is intended to be let, or could be let, with a covenant for immediate building.

The Outstanding Features

The outstanding features of this separate Minority Report, which, with Mr. Arthur O'Connor's personal Report, alone gave any countenance to the principle of specially and separately taxing land values, are first, that after hearing the proposals of Mr. Moulton (now Lord Moulton) and Mr. Harper, then the Statistical Officer of the L.C.C. and now Chief Valuer of the Inland Revenue Department, the late Mr. B. F. C. Costelloe, and others, they reported that, " We feel bound to condemn unhesitatingly all the schemes which have been put before us in connection with the rating of site values " ; and second, that their recommendation of a small tax on land values was part of, was based on, and would only be justified by, the adoption of their accompanying proposal of a large grant from the Imperial Exchequer in aid of local taxation. The two proposals were strictly interdependent and consequential.

They were based on the opinion that the burden of local rates falls mainly upon the owner of the land ; that an Exchequer grant in relief of rates would benefit him ; and that, therefore, some special tax might fairly be placed on him, especially as it would have the advantage of making it evident that a portion of the burden of rates does really fall upon him. They advised that the imposition of such a tax on land values should be carefully safeguarded by (1) strictly limiting it in amount ; (2) allowing its proceeds to be applied only towards expenditure which added to the value of land ; (3) dividing it equally between occupier and owner in the case of future contracts ;

(4) in the case of existing contracts making the present occupier liable for the whole of the new rate.

There are two things, and substantially only two, which such a rate as is suggested would do. In the first place it would slightly readjust the burden of the rates as between different properties and different districts in the same rating area. As it would be levied according to land value only, it would fall more heavily upon those properties, such as central city ones, where the proportion which the site value bears to the total value of the property is high, and more lightly upon those the site value of which is a small proportion of the total value. As it would ultimately all fall upon the land-owner, whether it was originally payable half by the occupier and half by the owner or not, it would really amount to a slight readjustment of the burden of the rates as between land-owners only. Land-owners in central districts in towns would have the value of their land somewhat diminished, land-owners in the outskirts and the less valuable districts would have the value of their land increased, while the owners of land in intermediate areas would experience no difference.

Dividing the Rates between Owner and Occupier

The second effect of the proposal would be that by making half the new rate payable by the occupier and half by the owner, part of the burden would visibly fall on those who have interests superior to those of the occupier. This is the old question of dividing the rates between the owner and the occupier. There are two arguments in favour of so doing, and they are stated thus by the Commissioners :

1. As regards rates existing when any contract is made, the present system obscures the shifting and diffusion of the burden which without doubt really take place : and the apparent inequality is made a popular grievance. As a matter of sentiment—and sentiment undoubtedly plays a part in taxation—a system of direct charge on lessors would help to remove the erroneous impression that the lessor pays nothing in the way of rates.

2. As regards increase of rates, and especially increase during the currency of any contract, it unduly narrows the reservoir of taxable capacity which can be readily and immediately drawn upon, and thus causes chronic friction.

These are plausible reasons for dividing all the rates equally between owners and occupiers, but the Commissioners rejected that suggestion because, although they considered it very desirable,

they thought if it were adopted owners should be specially represented on the spending authority—Mr. Goschen's Committee in 1870 and the Town Holdings Committee in 1892 expressed the same opinion—and they felt that this would not “be considered compatible with the increasingly democratic character of local self-government.” It seems to us, however, that so long as half the rates fell directly upon the occupiers at the outset there would be a substantial check on any tendency towards extravagant and reckless expenditure on the part of any spending authority which was elected by them. Certainly that is the experience of Scotland, where the burden of the rates is divided by a system of charging part upon the owner and part upon the occupier. It is further interesting to note that this division of the charge has altogether failed to convince the Scottish rate-payer that the landlord bears his share of the burden of the rates, and it is doubtful whether any division of a rate specifically levied on site values, especially if it were of small amount, as suggested by the Commissioners, would have the effect of removing misconceptions which are widespread and deep-rooted. Anyway it seems desirable that if rates are to be so divided, and there is much to be said for it on grounds of sentiment, the division should apply to all local rates and not only to a small portion of them. Even then the real effect of the alteration, so far as the actual incidence of the rates goes, would be infinitesimal, inasmuch as the Commissioners were undoubtedly quite right when they said :

Such a change of system could only be introduced when new contracts are made, and we do not think that, when contracts are revised, it makes much difference to the ultimate incidence whether rates are charged upon lessor or upon lessee, because each party will in either case take full account of the way in which the burden is distributed.

Dr. Cannan puts the same point thus :

It is usually simpler to collect the rate from the occupier than to take it, so to speak, at second hand from the landlord. Of course, it could be put upon the landlord without any inconvenience by the simple process of allowing the tenant to deduct it from his rent, and, as we have seen, this course was often followed. But so long as rates remain stationary—and, after all, changes are the exception rather than the rule—it can make no difference whether they are deductible from rent or not. . . . We are not really “mostly fools.” Who will stand up and confess that he took 76 — Street at £100 a year, and subject to £20 of rates, when an exactly similar house next door, but in another parish, was to let at £100 a year, and only £12 of rates ? ¹

¹ *History of Local Rates*, p. 134.

An Interesting Opinion of 70 Years ago

In this connection it is very interesting to note that the extremely able and valuable Report of the Poor Law Commissioners for 1843 recommended that, subject to the maintenance of then existing contracts as to payment of rates, local rates should be levied directly upon the owners of property, on the grounds, amongst others :

1. That the legal character of the rates is not made accordant with the real and essential character. "These rates are essentially taxes on the rent of the landlord, not taxes upon the occupier's profits; no legal declarations, no limitations of legal remedies to the person and goods of the occupier, however much they may disguise the aspect of the tax or make its burden operate unequally on rent, can make it fall permanently on anything but rent."

2. It would lessen dissatisfaction with the tax, and consequently diminish litigation.

3. It "would also produce the beneficial effect of diminishing much of the agitation and dispute in vestries, arising from the unfounded belief of the occupiers that they are affected when, in fact, they are not affected."

4. The proposal to rate the landlords does not involve the imposition of any new burden on them as an entire class.

This recommendation is noteworthy not only on account of the proposal which it makes, but also because of the opinion expressed—and expressed very clearly and emphatically—as the ground upon which it is based, viz. that "rates are essentially taxes on the rent of the landlord." These gentlemen had devoted much time and thought to the study of this question at a time when the whole matter had been in the melting pot, and had attracted the closest attention of the ablest minds of the period, and their conclusion as to the real incidence of the rates of their time was extremely definite and unequivocal.

Should Existing Contracts be violated?

No discussion of the taxation of land values can proceed far without the question of existing contracts cropping up. A large quantity of land in this country has been let on building leases, and on a large quantity more ground rents have been created after the buildings on the land had been erected. An immense number of houses and other premises, freehold and leasehold, have been let to occupiers on lease for various terms. A great number more have

been let on ordinary tenancy agreements for shorter terms. Under the whole of some classes of these leases, and in a large proportion of the other leases and agreements, the lessees and tenants contract to pay all rates and taxes, income tax only excepted.

When a special tax on land values to be paid by land-owners is advocated, the question of these contracts and undertakings at once arises. Are they to be respected or are they to be violated? We have already seen that Henry George left no doubt as to his attitude on the point. He respected no such agreement or undertaking, and was prepared to rip up any such contract without a moment's hesitation. Many of his followers have vacillated on the question. The desire of most of them has been plain enough, but when they have been brought face to face with the obvious dishonesty of the proposal some of them have shrunk from avowing their approval of it, and have talked about "expediency" and practicability. They usually avoid the point as long as possible. The Memorial to the Prime Minister, which is said to have been signed by 173 Members of Parliament, carefully ignored it.

It is not surprising that the policy of dangling before tens of thousands of electors the bait of the legalisation of the breach by them of their contracts and of the repudiation of liabilities solemnly undertaken, when such breach and repudiation might put millions of pounds a year into their pockets, has resulted in some very strong and weighty expressions of opinion on a matter on which no honest man ought to entertain a moment's doubt. In view of the fact that there is undoubtedly truth in Henry George's cynical remark, that "Even the most prejudiced can be relied on to listen with patience to an argument in favour of making some one else pay what they are now paying,"¹ it may be well to put some of those opinions on record here.

Some Weighty Opinions

The Royal Commission on Local Taxation, which reported in 1901, was unanimous in the opinion that no interference with existing contracts is justifiable.

The Majority Report said :

We see no justification for allowing existing contracts to be broken for the benefit of occupiers who have not shown that, as between themselves and the owners, those contracts are unjust (p. 44).

¹ *The Irish Land Question*, p. 41.

The Separate Report of the Minority on Urban Rating and Site Values said :

We entirely agree in what they [the Majority] say as to the impossibility of allowing existing contracts to be broken (p. 153); and

The general question of existing contracts was thoroughly discussed by the Town Holdings Committee, with whose conclusions we agree. Legislation enabling occupiers to violate the contracts which they have deliberately made, and to escape the obligations which they have solemnly undertaken, would be, in our opinion, indefensible. We could admit no compromise on this matter of principle (p. 163).

The only other Commissioner not included in these two groups, Mr. Arthur O'Connor, K.C., M.P., who, more strongly than any other Commissioner, advocated the taxation of Land Values, said :

It is manifest that equity requires that all existing contracts should be absolutely respected. It may be that many of them will have to run, not for years only, but for lives and longer. No matter, for although there would appear to be, according to the view taken in this Report, much that is inequitable in the present arrangements, and much that calls for change in the interests of the public, yet a disregard of contractual relations would be a more serious injury to the public than even the existing system of rating (p. 183).

Lord Farrer said :

The case of quit rents or fixed rents with no reversion, or a reversion so small as to be of no value, held under existing contracts, requires special consideration. When such rents have been bought and sold as investments returning a fixed income, there would be great and well-founded objections to any plan of making deductions from them in order to relieve persons who have acquired and hold the property which is subject to these rents.¹

Sir Robert Giffen said :

An occupier could not be empowered to deduct the whole or portion of a rate he has hitherto paid under agreement or custom from the owner without injustice. Contracts must in all cases be kept.²

Professor Sidgwick said :

Of course, if the occupier, being a leaseholder, had undertaken to pay the rate, and were allowed to deduct it from the rent, which the landlord was not allowed to increase, he would gain the whole rate during the period of the lease. But this cannot be contemplated.³

¹ *Memoranda on Classification and Incidence*, p. 85.

² *Ibid.* p. 98.

³ *Ibid.* p. 108.

Mr. C. H. Sargant—now Mr. Justice Sargant—expressed the opinion that the class of persons who invest in ground rents are the last people who should have their contracts broken against them.

“They are the most prudent class of investors, such as insurance companies and trustees, who invest largely in them. They are persons who have sacrificed getting a large income in order to get an absolutely secure income, and a perfectly fixed income.”¹

He also said, with reference to proposals for rating ground values, that “as applied to existing contracts, they are markedly confiscatory.”²

Sir Henry Campbell-Bannerman, Mr. Asquith, and Mr. Lloyd George

Sir Henry Campbell-Bannerman, M.P., in reply to a deputation from Scotland which waited upon him as Prime Minister, said :

Your sole object, as I understand, in coming here is to know whether the Government contemplate going back upon existing contracts. In one sentence, that is the whole question, and to that question I can answer, I think, in the most condensed form in which we are accustomed to answer questions in the House of Commons, by the words, “No, sir.” My friend, the Lord Advocate, who knows a vast deal more on this subject than I do in its details, made a speech last year, the greater part of which I have before me here, and it has been quoted by Mr. Paul ; but there is one sentence which seems to me to be the crucial sentence: “He desired to associate this great and salutary reform with no violence whatever to existing contracts, and with no invasion of rights sanctioned by the State.” That is our attitude in the matter, and I really think that having said that—*solventae tabulae*—I do not think I need detain you by attempting any elaboration of the subject, with which those who have spoken are much better entitled to deal than I am. But I can assure you that we have no idea of going back upon existing contracts, and therefore all the alarms, so far as they have existed in Scotland and elsewhere, may be allowed safely and healthily to subside.

The present Prime Minister, when he was Chancellor of the Exchequer, speaking at the opening of the new offices of the United Kingdom Temperance and General Provident Institution on July 10, 1907, said :

What I want to refer to, and what I know is of special interest to you, is that insurance companies are largely interested, both here and in Scotland, as investors in ground values, feu duties—what we call in England ground rents—and securities of that kind, and I imagine that

¹ *Evidence*—Question 22,230.

² *Memoranda, etc.*, p. 216.

there is a certain amount of apprehension—this from what I hear—a certain amount of apprehension among investors in and holders of that class of security as to the possible effect on the value of these investments in prospective legislation. I think they need be under no apprehensions whatever in that respect, for so far as I am acquainted—and I suppose I ought to know—so far as I am acquainted with anything that is likely to be proposed in matters of this kind, you may be perfectly certain of this, that existing contracts will be religiously respected as sacred ; no public policy will rip up obligations which have been incurred in good faith and for value, and all legislation of that kind will proceed with that as its starting-point and as its underlying principle.

The Land Values Assessment and Rating Bills of 1904 and 1905, upon the back of which, with others, were the names of Mr. Lloyd George, the present Chairman of Committees (Mr. J. H. Whitley), and Mr. C. P. Trevelyan, specifically provided that there was to be “no interference with existing contracts between landlord and tenant.”

Referring to a cognate phase of this subject, Mr. Lloyd George, speaking at Holloway, November 29, 1913, said :

Where legal rights have been already acquired, although under a law which we regard as vicious and unjust, we cannot sweep them away with a stroke of the pen. Not heaven itself upon the past has power. Reversions to buildings erected on leasehold property have been advertised, bought, sold, and paid for. They have been settled and dealt with by will. They have paid death duties. Moreover, leaseholds have been bought and sold with the knowledge that the buildings would pass to the landlord at the end of the lease.

Mr. Ure and some other M.P.'s

When the “Land Values Taxation, etc. (Scotland) Bill” was read a second time in the House of Commons on March 23, 1906, the then Lord Advocate (now Lord Shaw) expressly stated on behalf of the Government that existing contracts would be untouched, and that the clause in the Bill which provided for taxing them would be struck out in Committee.

It should be stated, however, that when this Bill had been sent to a Select Committee of the House of Commons, that Committee, in its Report, expressed an opinion directly opposed to the view of the Government as stated by the Lord Advocate. The sophistical and hair-splitting technical reasoning by which they attempted to justify this departure from the principles of ordinary honesty and

honour should be rescued from the oblivion of the Blue Book in which they are buried.

A clause by which the feuar binds himself to relieve the superior of public burdens present and future is not of unlimited application. It is in law confined to burdens the same in nature and in incidence as those in existence at the date of the contract, and which are, therefore, held to have been in contemplation of the parties at the date of the feu contract. Such a clause affords no relief from burdens created for the first time by supervenient laws. . . . Now an assessment on the basis of the yearly value of land, apart from buildings, and levied from the owners of land, including the owners of feu duties, would, in the opinion of your Committee, be a new burden differing materially in its character and incidence from any existing burden on land just as an assessment for the support of roads in a county levied on real rent is a burden, different in character and incidence from an assessment to be devoted to the same purpose but levied on the valued rent. No contract now extant, so far as the evidence laid before your Committee goes, refers to such a burden or contemplates its imposition. Existing contracts would, therefore, be left untouched if the new standard of rating were applied in the case of owners of feu duties created prior to the date when the enactment first takes effect.¹

It is interesting to note that the decision to repudiate the opinion of the Government of the day on this point was only arrived at by the casting vote of the Chairman, Mr. Ure, M.P., then Solicitor-General for Scotland and now Lord Strathclyde. The other members of Parliament who voted with him were Mr. A. Dewar, Mr. Findlay, Mr. O'Hare, M. T. F. Richards, Mr. Dundas White, and Mr. M'Kinnon Wood.

Lax Views of Land Taxers

How lax are the views of some of those who are prominently identified with the policy which was embodied in the Memorial which was presented to the Prime Minister in May 1911, may be gathered from the following extracts from *Land Reform in Theory and Practice*, by Mr. J. Dundas White, LL.D., M.P. :

There would be no need to deal with the incidence of rating as between the parties where the existing leases had not long to run ; but the longer leases should be specially provided for. Twenty-one years would be a convenient time limit, and the legislature should hold itself free to re-adjust the incidence of rating as between the parties, to suit the altered valuations, wherever the leases made before the change remained in operation more than twenty-one years afterwards.

¹ 379 of 1906, pp. 11, 12.

This twenty-one years' time limit is proposed simply as part of a working arrangement for the period of transition.

It is necessary to allow an ample period for the transition, but it would be contrary to principle to exempt for all time from the payment of the land-value rate the very person who is receiving the principal part of the land value of the property in the shape of rent.

What has been said of leases applies equally to mortgages. So far as existing mortgages were concerned, the rates should remain payable by the same persons as at present. Future mortgages would be made in view of the new.

What would be unjust and indefensible now would be equally unjust and indefensible 21 years hence. It would only be injustice deferred for 21 years. It is not a question of "transition" but of equity. The change from justice to confiscation and the tearing-up of contracts is not a transition: it is an entire reversal. Deferring the doing of an injustice 21 years cannot make it just. It would only make it less immediate. But the fact that it was to take full effect in 21 years would immediately diminish the capital value of the ground rent and increase the capital value of the lease.

Mr. Harold Storey says:

The only objection to taking the whole of the "unimproved land value" for public uses is that we did not take it early enough. Custom and law have sanctioned private profit from land value, and it is still being constantly acquired under the existing legal conditions. This is a very strong objection, indeed a final and conclusive obstacle, to a sudden or even a rapid appropriation of it by the State. But the slowly graduated tax meets this objection. . . . No complaint would lie against the State on the point of equity if a graduated tax, slowly accumulating through several generations, should finally divert the whole of it for public purposes.¹

The same criticism applies to this suggestion as to Mr. White's. A heavy loss would be immediately inflicted on the present owners. The whole of the future tax would be at once discounted and the capital value of their land would be correspondingly depreciated. None of the burden would fall upon future purchasers. They would buy at a price which would allow for taxation gradually increasing until the whole value was taken. They would buy a "wasting security" at a wasting security price.

There is, of course, only one honest and equitable way of dealing with existing contracts, and that is to leave them to run off as originally intended. It is also perfectly clear that if contracts were to be reopened on one point they must be reopened generally.

¹ *Economics of Land Values*, p. 80.

CHAPTER IV

TO WHAT EXTENT WOULD TAXING LAND VALUES BRING LAND INTO THE MARKET ?

ONE of the most important and interesting phases of the discussion of the question of the taxation of land values is the stress which many of the advocates of the proposal lay upon their opinion that it would bring land much more fully and profitably into use than is the case now. It is contended that it would make it much more expensive, and therefore difficult, for men to hold great parks, game preserves, grouse moors, and deer forests for pleasure and sport, and would induce them to let or sell the land for purposes of cultivation or grazing, and thereby extend and increase employment and add to the productive output, and therefore to the wealth of the country. Similarly with regard to urban areas it is urged that such taxation would force land into the market, reduce its price, compel building upon it, and thereby increase the supply of houses, encourage the building trade, and extend employment. It is added that the present system of taxing or rating land unduly favours its non-productive use, and facilitates, and indeed puts a premium on "holding it up," in town and country, contrary to the best interests of the community.

The solution of the problem which these contentions propound requires that some preliminary questions should be put and answered, such as :

1. Is the alleged evil a real and widespread one ?
2. In so far as it is, is the proposed remedy the best way of dealing with it, and would it be effective ?
3. Is the proposal just, equitable, and politic ?

Agricultural Land

The first question may be considered most conveniently, first as a rural one, and then as an urban one. That there is a considerable

quantity of land now kept as parks attached to country mansions or devoted to sport, which might be cultivated and more productively used, is beyond dispute. There is a good deal of this land that could be profitably cultivated. Certainly, nearly the whole of the land now kept as gentlemen's parks would pay for cultivation. Much land which is now devoted to sport would repay cultivation. On the other hand there is a large area of land that is either barren or waste mountain and moor or is of very poor quality. Undoubtedly it would be possible to cultivate some of it, and by so doing we could produce more from the soil of these islands than is now obtained. The practical question, however, with regard to much of this land is,—Would it pay to do it? Would it cost more to produce these additional crops than we can obtain the same commodities for from other lands in exchange for other articles which we can produce more efficiently and more profitably? If it would cost more, who will do it? It would not be a businesslike investment either for the present owners, or for any purchaser, or for the community, if it owned this land.

In this connection we must always remember two things. One is that the owner of land here has no monopoly of the supply of food. He competes with the owners of land all over the world. Practically the rent of agricultural land in England is fixed by the price of corn in Chicago, Winnipeg, and Odessa. The other thing is that the cost of preparing for cultivation much of the now uncultivated land of this country would be more than the land would be worth when it had been so prepared. Mr. W. A. Haveland, of Brightling, Sussex, recently stated, in a public discussion on the subject, that there is a large amount of woodland in Sussex which would cost £10 to £15 an acre to grub the useless underwood. When cleared it would not be worth more than £15 an acre—that is the valuation of grass land in the district—and the valuation of the woodland now is £5 an acre. Obviously, it would not be a profitable investment to clear that land.

A Grievance and Disadvantage

In so far, however, as land could be profitably cultivated, it is undoubtedly desirable, broadly speaking, that it should be so used. It would provide legitimate and useful employment for a considerable number of people, and it would add to the wealth of the country by increasing its output, and thereby it would again promote employment. It is a distinct grievance and a public disadvantage

if in any district there is a real and genuine demand, on sound economic lines, for land for cultivation, and there is land which would satisfy that demand, but it cannot be had, because it is reserved for private pleasure or sport. That men should be driven away from any part of the country because they cannot secure a livelihood and a home there, although there is land in the vicinity upon which both could be obtained, were it not that the owner prefers to reserve it for pleasure or sport rather than let it for cultivation, is a real evil and a public injury. That such conditions do exist is beyond question. There are localities where men cannot obtain holdings, not because there is not land suitable and available which is not being otherwise cultivated, but because the owner will not let it for cultivation.

Some Practical Considerations

The extent to which suitable land is thus withheld from cultivation is a matter of conjecture. Opinions will vary much as to what land could and would be cultivated if it were available at the rent which is otherwise obtainable, or would be required to show a commercial return upon the capital that would have to be expended upon it before it could be let for successful cultivation. For the last thirty years or more agriculture has not been such a profitable enterprise that people have been anxious to expend money in extending it; and bringing into cultivation much of the land in question would require the outlay of a large amount of money. Conditions, in this respect, have, however, improved recently. As the result of the great growth in the population of the United States and the consequent increased consumption of their own produce, together with the growth in population and prosperity, and correspondingly in the consumption of food of this country and Germany, the prices of agricultural produce have risen, and there has been a recovery from the worst effects on British farming of the great inrush of food from the virgin lands of America.

It is not many years since farms were a drug in the market, satisfactory tenants were difficult to find, and the rents obtainable did not show an adequate return on the capital invested, even when the unimproved value of the land was left entirely out of account. It would have been altogether useless at that time for any owner of a very large proportion indeed of the land which we are now considering to think of expending capital on it to prepare and equip it for cultivation in ordinary farms. As a business investment it

would have been most imprudent. Even now, when the conditions are better and the outlook is more favourable, some cautious people may wonder whether the enormous development which is taking place in Canada and the Argentine, and the many millions of acres of extremely fertile virgin soil and valuable grazing land, which are being opened up to settlers and ranchers by the construction of many thousands of miles of new railways in those vast territories, may not again flood the markets of the old world with agricultural produce at prices which, while they will be a great boon to the masses of our industrial population, may for a time again spell ruin and disaster to agriculture here on land, the soil of which is not particularly good, and the situation of which, as regards access to markets, is not specially favourable.

When, in addition to all this, we remember that very considerable rents are obtained for these lands, as they now are, as sporting properties it is not altogether surprising that, especially as regards those the soil and situation of which are by no means very favourable, no great willingness has been manifested to invest large amounts of capital in adapting them for uses which at best promised a somewhat doubtful and extremely modest return, and at worst might easily prove disastrous to all concerned.

If an owner who at present keeps his land as moor or game preserve is to be induced by the pressure of taxation to bring it into cultivation, it will have to be made very clear to him that the financial results will be considerably better, or he will not do it. Are such better financial results at all certain with regard to large quantities of land? If not, the mere taxation of land values will, in such cases, fail to secure the desired result.

Urban Land.

With regard to the urban phase of this branch of the question, it is alleged that land is withheld from building, sometimes because the owner desires to maintain the amenities of his residence, his grounds, and his estate, but more frequently in order that he may obtain an enhanced price at a later date when the demand for the land has become greater and more urgent. It is said that this prevails to such an extent that it prevents the expansion of businesses and communities, cripples industry, checks enterprises, makes land and houses dear, causes unemployment and overcrowding, and creates slums. In *Land Values: Points for Speakers* we read: "Land is held out of use in London, land for which builders would

gladly pay a high price, and on which thousands of men could get employment in the erection of buildings." This is the cause of unemployment.¹

In a leaflet issued by the United Committée for the Taxation of Land Values, the question is asked : " Why is the Building Trade so stagnant and so many men in the trade unemployed ? " and the first answer given is : " Because the builder cannot get land on which to build on terms that will allow him to offer his buildings at a price that will tempt buyers and lessees, and at the same time leave a reasonable margin of profit."

Exceptional Cases

That there are cases in which urban land which could be used for building purposes is kept out of the market is true ; but the instances are not very numerous. There are cases in which this occurs when the land-owner or land-owners control so much, or such an important section, of the land surrounding or adjoining a town, that the withholding of the land, or the stringent conditions on which alone it can be obtained, do seriously restrict the growth of the place and prevent its expansion. Such cases are rare ; but where they do exist they are an evil and constitute a public grievance. Where these cases occur there are sometimes special reasons for it—family reasons, the conditions under which the estate is held, and others—reasons which do not at all diminish the grievance of the public. Probably, however, the most usual, particularly if only one part of the town or its vicinity is affected by the policy, is the preservation of the amenities of the estate, which may be quite as much in the interest of the neighbourhood as of the owner.

Far more Land offered than can be sold

Land which is ripe for building and could be sold for that purpose is seldom kept out of the market for the purpose of enhancing the price. On the other hand, a vast amount of land which is scarcely ripe for building is put upon the market long before there is any demand for it, and not infrequently remains there a lifetime before it is sold. Most persons of real knowledge and practical experience of the matter will agree that, speaking generally, there is, and always has been, abundance of building land in the market and competition to sell it is pretty keen. The difficulty is not to find sellers but buyers ; and such buyers as there are often require so much outlay

¹ Page 3.

to be made on the land before they begin, and so much financing of them when they do begin, that business can only be done with them by an owner who is a very substantial capitalist in addition to being the owner of the land he wishes to dispose of.

Sir John Rolleston, M.P., a past President of the Surveyor's Institute, in a letter published in February 1905, said :

I venture to say that, almost without exception, building land is built upon when it becomes ripe—*i.e.* when the space fringing towns comes into demand for the erection of works or the housing of increasing population. Few people can afford to hold such land back, and if they do they usually outstand their market, the demand, which is irrepressible, being satisfied elsewhere. . . .

I have known land purchased 35 years ago on which streets and sewers were immediately constructed, but on which there are no buildings to-day. . . .

I doubt if land can be forced into the market for which there is no natural demand. Certainly no economic force can provide money for putting up buildings, or create people to live in them, any more than physical force can make a horse drink.

The reason why building land is seldom kept out of the market for the purpose of raising the price is that it would not pay the owner to do it ; the certain loss in interest would usually more than counter-balance the problematical gain in price. Very erroneous and exaggerated notions prevail as to the actual demand there is for land with the intention of building on it. Almost everywhere where land has a building value, there is far more on the market than there is a demand for. In and about most towns there is at any time ten times as much land for sale for building purposes as will be built on during the next ten years ; and from fifty to a hundred times as much land as could be built upon immediately. The amount of land used for building each year is not large. It is stated that in a great city like Glasgow it is 60 acres, and in Edinburgh 15 acres. Between 1901 and 1911 the average number of additional buildings erected or in course of erection per annum in England and Wales was about 82,000. If we assume twelve buildings to the acre, they would require 6833 acres a year for building purposes. The Inland Revenue authorities return the amount of land liable to undeveloped land duty in England and Wales at 617,000 acres. That means that there is land which is now regarded as building land, and is unbuilt on, sufficient to meet the requirements of the next 90 years, on the basis of the quantity built on during the ten years 1901-11. Nor is it the fact that overcrowding is usually due to

scarcity of houses. It is only in very exceptional cases or circumstances that it is so. Overcrowding prevails badly in Glasgow and Edinburgh. At the same time, the supply of houses is much in excess of the demand. In Glasgow in 1909 there were 17,037 empty houses, and 11,039 were under £10 in annual rent.

The " Monopoly " in Building Land

Many people talk loosely about a monopoly in building land. It is only in very rare cases where all the land in or about a town is owned by one man, or by two or three who act together, that there is anything of the kind. In ordinary cases, in these days, there is no such thing as a strict monopoly in building sites. As Professor Seligman puts it :

The ground rent of even the dearest plot in a crowded city exceeds the ground rents of other plots only by the value of its relative superiority. Monopoly implies absolute control of supply. Where building lots shade into each other by imperceptible gradations, with an abundant supply of the lower grade lots, we cannot speak of an absolute control of the total supply, but only of a control of a part of the supply. This is not monopoly, but only the ownership of a better grade, possession of which gives a higher price, but not a monopoly price.

The fundamental difference that distinguishes monopoly from competition is that under monopoly price is not determined by the price at which any marginal supply can be obtained. Monopolists fix the price at the figure that will yield the largest net return on the whole turnover. They can only do this when they control the whole supply and act together. There is no such general monopoly in land.

“ The essence of monopoly is not limitation, but the absence of competition.” The sites and properties in the inner and middle and outer rings of towns, are and always will be in keen competition. The rents and prices obtained for them will always be determined, as they are now, by the business or residential convenience and advantage of the sites.

The pressure, the inducement, to sell valuable unbuilt-on building land is great. If land is let at £3 an acre, and could be sold for £500 an acre, that sum invested at 4 per cent would bring in £20 a year or £17 an acre per annum more than is now received. If land would sell for £1000 an acre, which is now let at £5 an acre, it would, if sold, yield £40 a year or £35 an acre more than is obtained now. That is a great inducement to sell. The probability that money will

be lost by refusing to sell at a fair market price is so great that few who can sell will decline to do so if a genuine opportunity of selling at a fair price presents itself. Take the case of the land which could be sold for £500 an acre, and is therefore being held at a loss of £17 a year: £17 a year at 4 per cent compound interest means in 5 years £92; 10 years £204; 15 years £340; 20 years £506. This means that unless he can get more than £592 in 5 years, £704 in 10 years, £840 in 15 years, or £1006 in 20 years for land which he declines to sell for £500 now, the owner will lose money by keeping it.

What would the Effect of the Taxes be?—On Rural Land

In so far as there is, for any reason, holding up of land which it is desirable in the interests of the community should be cultivated or used as building land, would the proposed remedy of levying all rates or part of the rates solely on land values be an effective way, and the best practicable way of dealing with the problem?

If increased rates were levied on land which is now kept as park, or game preserve, or grouse moor, or deer forest, obviously they would add to the cost of so keeping such land, and the inducement to devote it to more remunerative purposes would be increased. The extent of this inducement, the strength of the pressure that would be brought to bear, would depend on the amount of the increase in the rates levied. This land is rated now; the rating is low, but rates have to be paid. One object of levying rates on land values is to reduce or abolish altogether other rates. Clearly, therefore, in so far as the proceeds of the land value rate levied on this land went to reduce the rates already paid on it, no difference would be made. Further, the rate in any case would probably be small. The proposal is that it should be levied on the unimproved capital value of this land. The unimproved value of a vast proportion of the land which is not now under cultivation would be small.

In addition to this the proposal of the out and out group of land taxers is that the land values levy should be a national one in order that the revenue derived by it from lands in towns and cities might be diverted to keep down the levy on land in agricultural districts.¹ Indeed, their teaching in agricultural districts is that under their scheme the levies on occupied land in the shape of rates and taxes would be less than they are now. Where

¹ Mr. Outhwaite, M.P., speaking at the Farmers' Club on February 3, 1913, said: "It is only just that rural parishes should participate in the land values of the cities, for the people of the countryside help to create these values."

then would be the pressure on the owners of the particular lands which we are now considering? The increase in the rates or taxes would not be much, if anything, except in a limited number of cases.

So far as there was pressure, what would it induce the owner to do? Suppose he is the owner of a mansion and park and game preserves. In such a case the charges upon it would probably be increased. This might or might not induce him to curtail his park and his game preserves, and let the greater part of the land off for cultivation. Unless the pressure of the extra charges was considerable, it is doubtful whether it would do much to divert this particular class of land to cultivation. So far as grouse moors and deer forests are concerned, would the charge upon them be materially increased? Is it not probable that in the large majority of cases their rental and capital value for sporting purposes is as great as it would be for any other purpose, and consequently that, even if the charges upon them in respect of rates and taxes were increased, no substantial addition to their present rental value could be obtained by their owners, beyond interest on the capital expenditure that would be necessary, if they were to try to let them for purposes of cultivation?

Speaking with great diffidence, and without any expert knowledge whatever, it appears to me that nothing material would be accomplished in the direction we have been considering by all or the greater part of the rates on the unimproved capital value of land in rural districts that could not, far more effectively and easily and with far less general disturbance, be secured by the simple expedient of enacting that where the assessed rental value of any property did not represent 3, $3\frac{1}{2}$, or 4 per cent, as might be decided, on its capital value, then the assessable value for rates should be that percentage on the capital value.

On Urban Land

Coming now to urban areas, we may consider—If a land value rate were levied on the capital value of land, whether it was occupied or not, and whether it was built on or not, would land which is now said to be “held up” be forced into the market, and would building thereby be facilitated and encouraged?

The contention of land taxers is that “It would bring unused land into the market and, by increasing the available supply, would reduce the rents and prices of land to their natural level. It would

make land more easily and more cheaply available.”¹ Or, as another puts it, “Land will come into industrial and productive use at an earlier stage of the demand for it, and, therefore, at a stage when the rent or price which the users are prepared to pay has not been so far forced up by scarcity and monopoly.”²

As in the case of land in rural districts, so with land in urban areas, if increased rates were levied on land which is now let and assessed at a rental which does not represent its capital or selling value, the inducement to sell or use that land for the purpose for which its capital value is higher than for the purpose for which it is now used, would be greater than it is now. That is obvious; but the practical consideration is, What would that inducement really amount to, and what would be the actual effect it would have upon the action of the owner of the land and upon the use which would really be made of it? Take the case we have already given of a man who has land let at £3 or £5 an acre which he could sell for £500 or £1000 an acre. He is now losing in one case £17, and in the other £35 a year per acre rather than sell at £500 in the one case and at £1000 in the other. A land values tax of 1d. or 2d. in the pound is suggested. That would be equivalent to 2s. 1d. or 4s. 2d. in the pound on the annual value. The penny tax³ would, therefore, increase the loss in one case from £17 to £19 a year, in the other from £35 to £39 a year. Would such an increase in the loss really make the inducement to sell so very much greater?

An Illustration

In his evidence before the Departmental Committee, 1912, Sir Albert Spicer, M.P., referred to a piece of land behind Ludgate Station, for which he said £30,000 was asked. It was vacant for some 15 or 20 years. He thought that if it had been rated it would have been sold earlier, and he added, “As it was they were practically saying to somebody, ‘You shall not work.’” The first comment that may be made on this statement is that if this land could have been sold earlier for say £25,000, that means that the owners were losing £1000 a year—4 per cent on £25,000—every year they declined to accept that price. That was pretty strong pressure. A tax of 1d. in the £ on £25,000 would have been £104, 3s. 4d. a year. We are

¹ J. D. White, M.P., *The A.B.C. of the Land Question*, p. 7.

² Harold Storey, *Economics of Land Value*, p. 65.

³ Mr. Hemmerde, K.C., M.P., says that land taxers would be quite satisfied with a tax of 1d. in the £ on capital value.

asked to think that what a loss of £1000 a year failed to do, an additional payment of £104 a year more would have accomplished. It might or it might not. We have not sufficient information as to all the details of the case to be able to say. The second comment is that if this land for which £30,000 was asked could have been sold for £20,000, and remained unsold for 20 years because that price was not accepted, the loss in compound interest at 4 per cent on that sum in that time was £23,822. If £25,000 could have been got and was refused, the loss was £29,778. The proposed tax would have been negligible as compared with that loss. The third comment is, that if this land had been rated on an annual value, really representative of its capital value, as we have already suggested, the levy and the inducement to sell would have been greater than the land taxers suggest, and such results as could be obtained by that means would be obtained without reconstructing the whole rating system of the country. Lastly, the suggestion that some one was prevented from working because this land was not sold earlier is clearly very fanciful and far-fetched. Who was prevented from working? Was this the only available site in London? Was any one prevented from building premises or carrying on his trade because he could not obtain this site at his own price? Certainly not. Whether any one really wanted this site—which, judging from the description of it, was anything but a very desirable one—I do not know; but it may be taken as certain that those who would have erected a building there, obtained premises elsewhere, which they would not have acquired if they had got this particular site. It may be taken as certain that no one was deprived of work, and that, at most, all that happened was that some other site was used instead of this one, and the owners of this site lost the interest they might have obtained on its purchase price, if they had a reasonable chance of selling it earlier than they did.

Who would buy?

In some cases, no doubt, a tax on building land might induce owners to sell where they will not now do so. But by whom, and for what purpose would the land be bought? Are there really many buyers at market rates who are prepared to build and cannot get land to build on? There may be cases where they cannot get the precise piece of land that they would like best; but they, or others can, as a rule, get land that will answer the purpose, and they do get it and build when and where there is a genuine demand for

houses. If they could get the other pieces of land that they would prefer, it does not follow that more houses would be built in the country or the district as a whole. More houses might be built in that immediate locality, but correspondingly fewer houses would be built elsewhere. There would not be any increase in the total number of householders.

Of course, land can be sold if it be offered at much less than its market value. So can anything else. A draper or a tailor or a shoemaker could each sell all his stock of sheets, clothes, and boots immediately if he would sell them at sufficiently less than they could be got for elsewhere. But all the drapers, tailors, and shoemakers in the country could not clear out the whole of their stocks in that way if it were known that the reduction in price was a permanent one. That is to say, there would be but little extra buying by the community as a whole, the total demand for these goods would only be slightly increased. The single draper, tailor, or shoemaker would do a big trade at slaughter prices, as long as they lasted, but he would do it almost entirely at the expense of the trade of his competitors, and the moment they came down to his prices the trade done by each would not be much more than before.

So with land. If building land were offered at substantially less prices than had been paid for other land on which houses similar to those which would be erected there had been built, some would be sold to builders who would be able to put up houses and let them at less than corresponding houses are now being let for. In the vast majority of places this would not increase the number of occupied houses. In most towns there are more houses than tenants, and empty houses are fairly numerous. What would happen would be that tenants of existing houses would move into the new cheaper ones. But that would soon be counteracted. The owners of the existing houses would reduce the rents in order to keep their tenants, and building would again stop because the number of empty houses would have been increased, and people would decline to invest in house property.

In those circumstances builders would not buy land even if it were offered at less than present market rates. It could only be sold to capitalists or speculators who would pay a price for it which would allow for the extra taxation on it, and they would hold it until the price recovered; or, when it was seen that this was the position, the present owners might come to the conclusion that they might as well continue to hold it themselves, and pay the

taxes, as sell it at a price which really allowed for the purchaser paying them.¹

The net result would be little or no increase in building, little or no encouragement of it. In so far as the number of empty houses was increased by building new houses which were occupied by former tenants of existing ones, property-owning would be rendered precarious and unprofitable, lenders of money on mortgage would become very shy, the rate of interest on mortgages would rise, and purchasers would be few and far between. The state of the building trade might easily become worse than before. Indeed, this would certainly be the result of over-building; and in so far as the forcing of land into the market stimulated the building of houses which were not really required, but were only occupied at the expense of emptying others, there would be over-building. The fundamental error of those who hold the views we have been considering is that they assume that there is an unlimited demand for houses, and they ignore the fact that in London and all our large towns there are thousands of empty houses and other buildings.

An Interesting Experience

An interesting illustration of the difficulty there is in disposing of building land, and of the impossibility of forcing building beyond the demand for premises, is furnished by the experience of the London County Council in connection with the sites fronting on the Kingsway and Aldwych and Strand roadways, which were cleared to make that improvement. Here there was a great area of very eligible sites fronting on splendid wide thoroughfares in the heart of the greatest city in the world. The improvement was commenced in 1897. Sites on the Strand portion were offered to the public by public auction in 1902 and in Aldwych in 1903. Half the sites stood vacant ten years after they were first offered to the public. How the land taxers would have made the welkin ring with their indignation and denunciation if this land had belonged to a

¹ "While the change from the present system to the new would certainly reduce the net yield of the property to the owner who does not sell it, the fact that it would also reduce the capital value or selling price in just the same proportion, would make the continued holding of the land exactly as good an investment as before. If I hold prospective building land worth at present £1000, and a change in methods of rating reduces the value to £800, why should I sell any more than before? And if I am frightened into selling by the talk of the promoters of the scheme, why should the braver person who buys at £800 proceed to sell immediately at a loss?" (Dr. Cannan, p. 190.)

Duke! What cartoons and placards of land "held up" we should have had! What talk about men kept out of employment, and the local authorities deprived of rates!

This land belongs to a public authority which has every inducement to dispose of it and none to "hold it up." During the time it has stood, a drug in the market, both parties in the Council have been in power, and both have made great efforts to dispose of the sites. The pressure on them to do so has been great. The cost of the scheme was, I believe, something like £6,000,000 to £7,000,000, and the interest accumulating all these years on the undisposed-of part must have run the total cost to an enormous figure. The loss of rates that would have been received if buildings had been erected and occupied has been very great. All this vast financial loss has been pressure to sell or lease far more potent than any such land tax as is usually talked about could possibly have been. Yet there the sites have stood and many still stand vacant.

The explanation is obvious. Occupants for such buildings as can alone be erected on those sites to pay cannot readily be found. The office accommodation in that vicinity has been largely increased in recent years. Many of the offices—new and eligible—in existing buildings are unoccupied. It is not surprising, therefore, that builders and investors have been slow to sink their money in adding to the number. In time the sites will be occupied; but it will take time. In such cases neither taxation nor anything else can force the pace of building beyond the legitimate demand for premises; and it would be disastrous if it could be forced.

Some Illustrations and Calculations

In the exceptional cases where land is really being held up, where owners absolutely refuse to sell, and no other suitable land is available, and there is a demand for houses or buildings which would be erected if land were available at the market price of such land, building would be legitimately facilitated where that land was brought into the market by the levying of a rate or tax.

But in the majority of cases owners are only too willing to sell their land for building purposes at the market price. Taxation might induce them to sell at a lower price. It would only be lower to the extent of the estimated present value of the extra taxation for the number of years for which it was likely to be paid before the land would be built upon in the ordinary course. The difference in price would be small:

On land valued at £500 an acre a tax of 1d. in £ would amount to £2 : 1 : 8 a year.

On land valued at £1000 an acre it would be £4 : 3 : 4 a year.

The present value of £2 : 1 : 8 a year for 10 years is £16 : 17 : 11 ; for 20 years it is £28 : 6 : 2.

The present value of £4 : 3 : 4 a year for 10 years is £33 : 15 : 10 ; for 20 years it is £56 : 12 : 4.

If 25 houses to one acre were put on the land a reduction in price like this would mean a decrease in the cost of the site of each house, if the present price of the land is £500 an acre, of from 13s. 6d. to 22s. 6d., or, say, of from 6½d. to 11d. a year in the rent. If the present price of the land is £1000 an acre, a reduction of from £33 to £56 in the price per acre would only represent a reduction of from 1s. 1d. to 1s. 10d. in the annual rent of each house built on it ! Reductions in rent ranging from ⅛d. to ½d. per week would not be likely to revolutionise anything or anybody, anywhere !

That is a case where land is dear for small houses—£1000 an acre—and consequently where they are built pretty closely together. We may take another case where the land is much lower in price—£150 an acre—and where more land can be allowed per house. Take a 20-acre plot of land at £150 an acre with 18 houses to the acre. Mr. George Cadbury, Junr., gives the following figures in *The Economic Review* for July 1913 :

Total number of houses	360
Total area of roads, in acres	3·7
Average area of plot, per house, in yards	219
Total cost of land	£3,000 0 0
Total cost of roads	£6,215 0 0
Cost of land and roads per gross acre	£460 15 3
Cost of land and roads per house	£25 11 11
Equivalent ground rent	£1 0 6
Equivalent ground rent per week	£0 0 4½

The land alone represents less than one-third of the ground rent ; the roads represent more than two-thirds of it. Consequently, the cost of the land represents only 1½d. a week of the rent, and if the price of the land were reduced by one-half it would only reduce the rent ¾d. a week, and if the land were obtained for nothing it would only reduce the rent 1½d. a week !

The Effect would be Slight

It is clear, therefore, that even if the price of the land were reduced by much more than the equivalent of the tax, the effect on the rent of a house would be inappreciable. The price of the

land is a much smaller item in the rent of ordinary houses than most people imagine. They are apt to think of the ground rent as the cost of the land, whereas it is usually nothing of the kind. It is mostly simply a first charge on the whole property, and is frequently three or more times as much as the cost of the land to the builder, before it was developed, would represent. It is frequently an entirely arbitrary and artificial figure, and represents not only the price of the land, but the cost of roads and drains, legal expenses, interest, and a portion of the value of the building. Ordinarily, it has very little relation to the value of the land, and sometimes it has no relation whatever.

If land be sold for building purposes at £500 an acre, and 25 houses per acre be erected on it, the cost of the land is £20 per house, or, at 4 per cent, 16s. a year. That is to say, if the price of the land were reduced by 20 per cent, or £100 an acre, it would only make about 3s. 3d. a year difference in the rent of the house. If the price were reduced by one-half, it would only make a difference of 8s. a year; and if the land were given away for nothing the rent would only be 16s. a year or less than 4d. a week lower. If the price of the land be £250 an acre, it would only reduce the rent of houses on it 2d. a week if it were given away!

View of the Surveyors' Institute

If land is taxed as suggested, it does not necessarily follow that it will be cheapened. No doubt, as indicated in the Report of the Select Committee, the small man might be forced to realise and thus be a heavy loser, but it is a fallacy to suppose that development of land is a mere matter of willingness on the part of the owner. No manipulation of taxation can increase that demand, and consequently land taxation cannot encourage building enterprise, for builders will not buy or take more land than, when covered, will meet what they consider likely to be the immediate demand for houses. Generally speaking, the supply of houses in urban districts has hitherto been ahead of the demand, but under the proposed system the evidence before the Select Committee shows that the demand might be expected to be slightly ahead of the supply, and the tendency, therefore, would be for rents to increase.¹

Rate of Interest more Important than the Price of Land

Another important point which must not be overlooked is that for ordinary housing purposes the rate of interest at which capital can be obtained for buildings is far more important than the price of the land. If by putting a tax on land values the price of building

¹ Memorandum by the Council of the Surveyors' Institute, July 1912.

land which is now selling at £250 an acre were reduced by one-half, or the price of that which is selling at £400 an acre were reduced by one-third—and the most enthusiastic land taxpayer does not anticipate any such result as that—the difference which it would make in the rent of the houses (25 to the acre) erected on it would only be one penny per week. But if through the disturbance of the confidence of investors in land and buildings as a security the rate of interest which purchasers require such property to yield be increased by only 1 per cent, the difference which that would make in the rent of a house which cost £260 would be one shilling per week, or twelve times as much as the difference which a large drop in the price of the land would make.

The Council of the Surveyors' Institute, who speak with knowledge and authority, very truly observe :

The fact is often overlooked that the erection of moderate sized and small houses is undertaken almost entirely by the speculative builder, a person not uncommonly held up to odium, but one who in reality is an important and useful agent in the housing problem. Before the supply of houses runs short, the speculative builder buys land and proceeds to cover it with houses, an undertaking necessitating the employment of considerable capital, which up till recently he has had no difficulty in commanding on payment of reasonable interest. It is clear that anything tending to destroy the confidence of investors in land and buildings as a security must have the effect of making it more difficult for the builder to borrow, and of raising the rate of interest which he would be called upon to pay. His operations would thus be severely hampered, and in time the trade, through lack of inducement, would cease to be carried on. Such a result would necessarily have a prejudicial effect upon the number of houses erected and the rents at which they could be let.¹

Conclusion

The result of our consideration of this phase of our problem is that, speaking generally, the alleged "holding up" of land in urban districts, in the sense of withholding it from cultivation or declining to sell it or let it for building purposes at its market value, is not a widespread evil, and that in so far as it does exist to a limited extent, the suggested tax on land values would not be an effective remedy, nor would it be the best way of dealing with the exceptional cases which at present occur. Probably an alteration of the basis of assessment of such special properties on the lines we have suggested would accomplish all that is necessary in that particular direction.

¹ Memorandum by the Council of the Surveyors' Institute, July 1912.

The Equity of the Matter

If exceptional taxation of land would cheapen it, the question remains, Shall we be justified in specially taxing all owners of land in order to compel some of them to sell their land at a lower price than they otherwise would? Legitimate reasons for taxing people are their ability to pay and that they benefit from the expenditure. In so far as taxation can be defended on the ground of ability to pay or of benefit received, well and good. Two things are clearly inequitable. One is that any one in respect of any class of property should be allowed to escape a fair share of taxation according to his means and the benefits he receives. If such under-taxation assisted him in withholding property—land in particular—from use, it would be peculiarly objectionable and unfair. The other thing that is clearly inequitable is that any one who is already taxed as others are according to ability and to benefit received should be additionally taxed and therefore penalised in order to make him part with his property—land for example—at a lower price than he otherwise would. That is in reality a process of confiscation. Land taxers ask that part of the value of the land-owner's property should be confiscated in order that it may be given to some one else.

The contention that the taxation of land values is desirable, because it would reduce the rent of land and thus benefit other people, is clearly inadmissible. It offends against justice and honesty. If it is to be defended at all, it must be on altogether different and sounder grounds. If the proposed taxation is equitable and just, then and then only can the suggestion that its indirect effects will be beneficial to the community be entertained by honourable men.

So far as the equity of the matter goes, the State will be justified in taking such steps as are necessary to ensure that the land shall be used in the best interests of all, subject to the condition that if and when in so doing they interfere with the rights and property of individuals compensation must be paid. The appropriation by individuals of "original and indestructible natural forces" has its basis not so much in justice as in the general good, and the State has always considered itself entitled to attach to the ownership of land limitations and conditions imposed in the interest of the common good. It is not only equitable, but equity requires that all owners of land should bear their share of taxation in proportion to the value of the land they possess; and if, as is the case, owing to the method of assessment, the owners of some land do not bear their

fair quota in proportion to the value of their property, it is not only fair but necessary that they should be made to do so. It is quite another thing to suggest, as many land taxers practically do, that all owners of land should be penalised for the delinquencies of a few. It would not only be unjust, but, as has been shown, it is unnecessary. It would be using a steam-hammer to crack a nut.

While it is undoubtedly bad policy to so frame your method of levying taxes on land as to facilitate withholding it from its most profitable and beneficial use, to specially and penally tax land in order to compel its use suggests a revival of the old idea of taxing men in order to make them work.

Slums

Rating of site values will not prevent or relieve slums. Slum dwellings in central districts are not overcrowded because of the rates. The sites are not high in price because the rates are heavy. So far as the sites are high in price, they are so because they are valuable owing to their central position and the consequent demand for them. The rates are high because the sites are valuable. The high rates detract from the renting value of the site. If there were no rates the site would fetch its present price plus the rates. If all the differential rates were charged on the site owner, the total cost of the site to the builder would be its present price plus those rates, and houses would not be cheaper.

It is said that if the rates were heavier on the sites in central slum areas than they now are on the whole property, the owners would not be able to afford to allow the slum dwellings to remain, and would have to pull them down in order to put the sites to more remunerative use. That means they would have to erect buildings that would bring in more rent, and if the new buildings were residences for poor people, it would mean taller buildings but not lower rents. Indeed, it is obvious that placing all rates on land values would subsidise the largest buildings the most, and the smallest buildings the least. It would subsidise big buildings most where land is dearest, because it is there that buildings are valuable, and consequently rates on them now are heavy. It would thus encourage overcrowding of big buildings on central and already congested sites. Dr. Cannan¹ has pointed out very truly and very forcibly that in so far as rates were levied on the value of the site and taken off the value of the buildings, the effect would be to cause

¹ *History of Local Rates*, p. 191.

people to pile as much building on as little land as possible. Further, in so far as taking rates off buildings encouraged building, it would do this most where the rates are now the highest and where the relief would consequently be the greatest. Rates are the highest in thickly populated urban districts. Such stimulus to building as was the result of the scheme would, therefore, be most effective where there is now most crowding, and there would be a distinct incentive to erect higher buildings and occupy as little land as possible.

It is obvious that placing all the rates on land values only must tend to crowd buildings on the smallest practicable area of land. Yet land taxers appear to be unable to perceive this. At the Annual Meeting of the Garden City Association, January 31, 1908, Mr. Justice Neville, referring to the rating of land values, said :

So far as he could see no conceivable device could be hit upon more certain to make the overcrowding of the present time as nothing compared with the overcrowding of the future. . . . One man put up fifty buildings and the next man no more than twenty-five buildings to the acre, the population of the fifty houses would be twice as great as the twenty-five, though the rates paid by the occupiers of the latter would equal those of the former.

In an article in the *Westminster Gazette* three weeks later, Mr. Crompton Llewelyn Davies refers to this as an "extraordinary view," and contends that it is so because levying rates on land values would reduce the total rates on such properties and relieve the buildings of rates, and therefore relieve the largest building the most.

Clearly, this does not confute, or in any way disturb Mr. Justice Neville's contention. When the rates were reduced they would be no larger on the large building than on the small one. The inducement would, therefore, be to put the larger building on the site, because if the same housing accommodation were spread over a larger site more rates would have to be paid.

Further, slums and unhealthy conditions in old central areas will not be got rid of by pulling down the old houses and erecting new ones in their place, unless, when rebuilding occurs, narrow courts, blind alleys, and dwellings in yards are abolished and more air space and light are provided for.¹ That means that the building

¹ The Report of the Housing Committee of the London County Council on the Tabard Street Area, which is about to be cleared and reconstructed, said : " The characteristic feature of the area is the narrowness of the streets and the bad arrangement of both streets and houses. George Court is in parts only 3 ft. wide ;

area would be much reduced, and that, even if the new buildings were carried much higher, there would be little, if any, additional accommodation. Consequently, the rents of the new tenements would have to be much higher than the rents of the present houses, or it would not pay the owners to pull down the old buildings and erect new ones. That means that in so far as it is contended that overcrowded slum areas are slums and are overcrowded because rents are so high that the occupants cannot afford to take sufficient room to enable them to live decently and healthily, heavy taxation of central slum sites would not improve and might aggravate the position.

Slum Houses are Cheap because Overcrowding is allowed

To a far larger extent than people think, slums exist in central areas because they are cheap to live in, after allowing for saving in train or rail-fares, etc. The rent of a slum house as a whole is high for such houses as they are; the rent per room is high for their size; but as overcrowding is allowed, the rent per person is low.

From particulars given in a Blue Book—*British and Foreign Trade and Industry*, issued in 1903 (p. 217)—we learn that in London the average weekly rent of one room tenements was 3s. 5½d. per room; 2 room tenements, 2s. 10d. per room; 3 room tenements, 2s. 4½d. per room. In the slums the charges per room are much higher. Before the Royal Commission on Housing, some years ago, it was stated that “At 10 Prospect Terrace, South St. Pancras, 4s. a week was paid for one room 10 ft. by 7 ft. At 22 Wood Street, 5s. was paid for a single room. At 8 Stephen Street, 5s. was paid for a single room in a state of great decay. In Spitalfields the average rental for one room was from 4s. 6d. to 6s. a week.” The fewer rooms there are per tenancy the higher is the rent per room. The reason why these rents were paid is to be found in the further particulars which the Report of the Commission gave of the overcrowding that was permitted:

In Clerkenwell, at 15 St. Helena Place, a house was described containing six rooms, which were occupied at that time by six families, and as many as eight persons inhabited one room. At 1 Wilmington Place there were eleven families in eleven rooms, seven persons occupy-

Little Britain, 5 ft.; Wickham Court, 7½ ft.; and several other streets do not exceed 10 ft. in width including the footways. Out of the 32 streets in the area, no less than 13 are *cul de sac*.”

ing one room. At 30 Noble Street five families of twenty-six persons were found inhabiting six rooms. At 36 Bowling Green Lane there were six persons in an underground kitchen. At 7 New Court there were eleven persons in two rooms, in which fowls also were kept. In St. Pancras, at 10 Prospect Terrace, eight persons inhabited one room, 10 ft. by 7 ft. At 3 Derry Street a room, 13 ft. by 12 ft., was inhabited by a family of nine who had only one bed. In Spitalfields, 35 Hanbury Street, is a house with nine rooms, and there was an average of seven persons in each room, and in no room was there more than one bed.

The medical officer of Kensington said he knew a case where there were five women occupying one room—three sleeping on the bed and two under the bed. A member of St. James's Vestry said he knew of a case where one room was let for £1 a week, and twelve people lived and slept in that *one* room. In Camberwell no fewer than seventeen persons had been found living and sleeping in one room; and in some cases two families in one room, a sack being used as a partition between them. In the East end there were many very worse cases, because in many parts beds were let out on the eight-hour system,—one person occupying a bed by day and another person occupying the same bed by night.

The Rev. Hugh Price Hughes once said that near where he was preaching (St. James's Hall) there was a house occupied by 43 persons. In one room was a man, his wife, and eight children; in another, a man, his wife, and seven children, the eldest son being married and living with his parents.

Similar conditions exist now in London, where they are not prevented by the enforcement of the law, in spite of the fact that there are thousands of houses to let at rents much lower than those slum houses are let at:

On June 21, 1912, at Marylebone Police Court, during the hearing of a prosecution by the Paddington Borough Council, under the Housing and Town Planning Act, 1909, it appeared that there were 35 children and 12 adults occupying a nine-room house at 17 Desborough Street, off the Harrow Road.

The house was described by Dr. R. Dudfield, the Medical Officer of Health, as being unfit for human habitation, and five of the tenants were summoned for failing to quit after a closing order had been made. These five stated that between them they had 29 children, and Mr. Wingfield, sanitary inspector, pointed out that another tenant had now gone there with six children. This made a total, with the parents of the children, of 47 persons, occupying nine rooms, three of which were said to be little box-rooms.

Mr. Paul Taylor made an order on the defendants to quit the house within 14 days.

The Permission of Overcrowding

The owners of these houses allow this condition of things because it pays them: they get high rents. In the case just mentioned, when there were already 37 persons in this nine-roomed house, the landlord took in another tenant—a man and his wife and six children! The occupants put up with the overcrowding and the dilapidated condition of the houses because the cost to them per person is low. The cost to them is low per person, though usually high per room, because they are permitted to overcrowd. If the occupants of these slums went to houses in better condition elsewhere the rent per house and per room would often be less, but as they would not be allowed to overcrowd as they do now, and would therefore have to take more rooms than they now have, the total cost to them would be greater. Another feature is that there are a large number of people whose character, habits, and mode of life are such that owners of decent property will not have them as tenants at any price. They can only get into slums where they can scarcely make the property worse than it is, and where the neighbours cannot effectually complain. The erection of better dwellings on the sites of present slum areas would not house this section of the slum population. They would not go into them and they would not be admitted. They will herd together in the lowest priced rooms in which they are allowed so to crowd that the cost per person will be small. The result is that they house themselves at a cost per family which cannot be competed with in much cheaper houses, if overcrowding is not permitted. If the land were to be had for nothing the houses built on it, if decently occupied, could not compete, in cost to the occupants, with these overcrowded slum houses. The permission of overcrowding is the cause of the trouble, and the stern repression of it, and the enforcement of sound and sanitary conditions in the houses, in addition to the provision of adequate facilities for transit to the outer ring, is the key to the solution of the problem.

Houses Available

In most urban centres the overcrowding is not caused by lack of houses. There are some cases of towns in which there is a shortage of houses, but they are exceptional. The four towns in which there is the most overcrowding in England are Gateshead, South Shields, Sunderland, and Newcastle-on-Tyne. In those towns the numbers

of uninhabited separate dwellings when the census was taken in 1911 was :

	Uninhabited.
Gateshead	3780
South Shields	793
Sunderland	1510
Newcastle	3749

Newcastle and Gateshead are practically one residential area—only the river separates them. One-third of their population lives more than two in a room, and yet there were 7529 uninhabited dwellings in 1911.

In Glasgow, where overcrowding is notorious, there were 25,753 uninhabited dwellings in 1911. In Edinburgh and Leith there were 7991 uninhabited dwellings. In London there were 52,431 uninhabited dwellings; in Birmingham, 11,313; in Liverpool, 10,498; and in Manchester and Salford, 11,128.¹

The London County Council found that in the vicinity of the Tabard Street slum area, which it was about to clear and in which 4552 persons lived, there were 5977 empty rooms to let. These rooms were better and in better conditions than those which were occupied in the slum area. It was clear, therefore, that the reason why people were in the slums was not that there were not other and better dwellings available in the neighbourhood.

Municipal Dwellings

There are few subjects about which more uninformed nonsense is talked and more public money has been wasted than the clearing of slums and the erection of dwellings on the sites by municipal authorities. In connection with the construction of the Blackwall Tunnel by the London County Council, 1210 persons were displaced. Housing accommodation close by was provided for 1104 persons. Only 9 of the original occupants went into the new dwellings. In the great clearing and building scheme of the same authority in the Boundary Street area, only 11 out of 5719, and in the Falcon Court Scheme only 40 out of 800 of the original inhabitants went into the new dwellings. The slum dwellers went elsewhere and created other slums. That is the almost invariable experience. If taxing land values did encourage building in outside districts, slum dwellers would still not go there for the same reasons that they do not go there now. Rents outside are less now than they are in the slums. If suburban areas were covered with houses that would not

¹ Cd. 6955 of 1913, p. 320, etc.

take the slum dweller out there. Either he will not go or he cannot go, because he cannot easily get backwards and forwards, or the house-owner will not have him. None of these conditions would be altered by the taxation of land values.

Access to Land

Nor does the theory that slums and overcrowding are due to a lack of access to the land in agricultural districts really supply a sound explanation and a correct diagnosis of the slum problem. Twenty-five years ago in the United States, when the Homestead Laws were in force, and any one could have a free gift of 160 acres of land if he would settle on it and cultivate it, the deplorable overcrowding and insanitary conditions of the industrial towns of New England were thus described by Mr. George Gunton, the economist :

The pest breeding and morally degrading conditions of the homes, and the social life of the great mass of labouring population in our industrial centres almost beggars description.

My vocabulary is wholly inadequate to describe the condition of the tenement houses I have seen in the factory centres in New England.

In a single building in the town of W—— thirty-two feet long, twenty feet wide, three stories high, with attics, there habitually exists thirty-nine people of all ages. For their use there is one pump, and one privy within twenty feet of each other, with the several sink spouts discharging upon the ground near by.

Slum houses pay the owner (1) because he gets a full rent, (2) because he spends little in repairs and decorations, (3) because he buys them at a comparatively low price, as few people care to manage or be identified with them. Apart from, and in addition to the improvement of the social, moral, and economic condition of the people, far more will be done in the direction of abolishing slums by compelling the owners to keep them in sound repair, and in decently clean and sanitary condition, and in strictly prohibiting and sternly preventing overcrowding, and taking advantage of every opportunity for increasing the facilities for travelling cheaply to and from outlying districts, so as to make it easier for the people to live elsewhere, than by any system of taxing land values. When all that can be done has been done in these directions there will remain the crux of a large portion of the problem—namely that there are, on the one hand, a number of people so unfortunately circumstanced that they cannot pay a commercial rent for a decent dwelling ; and, on the other, there are those who will not pay such a rent so long

as they can avoid it by herding in places which cost them less. Taxing land values would do nothing whatever to solve that part of the problem.

The Price of Building Land

Reference has already been made to the small extent to which the price of land bears upon the housing question, and the extremely small difference it would make if land were reduced somewhat in price by levying a special tax upon it. A further illustration of this may be given. The London County Council bought 225 acres of land at Tottenham for a housing scheme at £400 an acre. It was proposed to house 42,500 people at an estimated cost of £1,530,858, of which the cost of the land was £90,000. The annual cost of the land at 4 per cent would be £3600, which would be equal to 1s. 8d. per year or 0.385d. per week per person housed. That would be equivalent to 1¾d. per week per family. That is to say, the difference it would have made in the rent of the houses per family, if the land had been obtained for nothing, would have been, say, 2d. per week.

Last year (August 1912) Sir Arthur Boscawen, M.P., who is also a member of the London County Council, writing to the *Times*, said :

The London County Council have lately been engaged in developing four large suburban estates at Totterdown Fields, Norbury, Tottenham, and Old Oak Common. The rents of the cottages vary according to their size, situation, etc.; but in the case of Totterdown Fields the average weekly rent of rooms is 2s. 6d., of which only 1¾d. represents the costs of the land—*i.e.* the interest on the money borrowed to buy the land, and the sinking fund. In the case of Norbury land represents just over 1d. per room per week, and in the case of Tottenham a little under 1¼d. The Old Oak Common case is even more remarkable: it is proposed to let a number of three-room cottages at 7s. a week, of which the cost of the land only accounts for 2¼d., or 2.67 per cent! In other words, if the land cost nothing at all, and no land-taxer surely can promise more than that—the rents could only be reduced by 2¼d. a week.

It will be noticed that the weekly payment here attributed to the cost of the land includes the provision of a sinking fund to pay off the capital outlay.

We may therefore dismiss the idea that any contribution whatever would be made towards the solution of the slum or the housing problem by taxing land values with a view to making land cheaper for building purposes. In the first place, it is doubtful

whether the result would be a lowering of the price of building land to any appreciable extent ; and in the second place even a far greater lowering of price than could possibly take place—indeed the wiping out of the price altogether—would make only an infinitesimal difference, if any, in the rent of the houses.

CHAPTER V

SOME ARGUMENTS AND ILLUSTRATIONS EXAMINED

THE next contention is that it is the levying of the rates upon the building that makes houses dear, depresses the building trade, creates the housing problem and causes overcrowding and unemployment.

A leaflet of the United Committee for the Taxation of Land Values gives as one answer to the question, "Why is the building trade so stagnant and so many men in the trade unemployed?" the statement—"Because our systems of rating and taxation tend to minimise his chance of profit by penalising him in proportion as he is industrious and enterprising."

Another publication of the same Committee, entitled "*Land Values—Points for Speakers*," says: "Land is withheld from use because rates are only levied when it is occupied by buildings. Vacant land pays no rates. Its owner loses nothing by keeping it idle, however high its value may be."

Do Rates increase the Cost of Houses?

Mr. C. P. Trevelyan, M.P., in an article entitled "Land Value Taxation and the Use of Land," in the *Economic Journal*, March 1907, said:

An enterprising builder wants to put up a new row of houses by the new tram-line; he has to calculate that, besides recouping himself for the cost of labour, of material and of the land, he will have to consider whether there will be tenants who can afford to pay half the whole annual value of the house in rates every year. So, necessarily, he decides to erect houses of half the value and comfort which he would otherwise build, in order that the wage and salary of the tenant may cover the rate.

We tax houses at the rate of half their annual value. Houses, therefore, become more expensive: good houses are out of the reach

of more people ; the poorest are starved in house-room—that is to say, they are overcrowded.

Dealing with the statement that there are thousands of empty houses in most cities, he says, “ The chief reason is in our blundering rating system. The rents asked are out of the reach of the population who need the houses, because of the excessive local burdens upon all buildings.”

Let us see how much substance there is in this contention and what the effect would really be of taking the rates off buildings and putting them on land.

First, as to the assertion that rates penalise the builder in proportion as he is industrious and enterprising. They do not. He does not pay the rates. The burden of them does not fall upon him. He only builds houses when they show a commercial return upon his “ industry and enterprise.” Wherever the burden of the rates falls it does not fall on him.

Second, as to Mr. Trevelyan’s idea that the rates increase the cost of houses by one-half and that, consequently, houses are only half as good for the money as they otherwise would be. Passing by the confusion in this calculation, it is certainly incorrect to assume that houses are increased in cost by one-half by the rates. As we have already shown, the whole of the differential rates come off the price paid for the land. If they were abolished, the house and land would fetch the same rent as they do now. The only difference would be that the land would be increased in value and price by that amount. Those rates are a burden on the land-owner and not on the builder or the occupier, and the idea that because of them “ houses become more expensive ; good houses are out of the reach of more of the people ; the poorest are starved in house-room ” is an error and a delusion. With regard to those rates which are beneficial, those for which the occupier gets full value for what he pays, they are not a burden : they are a commercial transaction : they represent the supply to him of services which would cost him as much and probably more if he had to provide them for himself. If those rates were transferred to something or some one else he would gain nothing. The house and the services would be worth to him as much as they are now, and he would have to pay the same amount for them. Now he pays it partly in rent and partly in rates. So far as those rates were reduced, he would pay it in extra rent. That extra rent would represent an increase in the value of the land, and the land-owner would reap the benefit. In so far as that was counter-

balanced by levying a special rate on the value of the land, the transaction would be equivalent to, and no more profitable to anybody than, giving change for a shilling.

The Fundamental Misapprehension

The cause of all this error and confusion of thought—superficially plausible as it is—is failure to appreciate and understand the fundamental conditions which determine the price of land and the rent of houses. The price of land—its rent or its selling value—like the price of everything, depends on supply and demand. It represents the point at which two converging interests meet. There the desire and will of the seller or landlord concur with the desire and will of the buyer or tenant. The one wishes to give as little as possible: the other wishes to get as much as he can. The higgles of the market brings these desires to a balance.

The mere wish of one of the parties to get more, or of the other to give less will not affect the price. Nothing will do that but a decrease or an increase in the supply or demand. An increase or decrease in the rates will not affect the supply of land or houses, nor will it increase or decrease the demand for them. It will not affect the total price the occupier will have to pay in rent and rates combined. It will only affect the proportion of that total price that will go to the community and to the landlord respectively.

The value of a piece of land—the price to which demand is prepared to go—depends on the net result that can be obtained from the use of it. If it be agricultural land, its value will depend on the price that can be obtained for the produce, and the cost that will have to be incurred in order to obtain that produce. If it be building-land, the position is precisely the same. The value of the land will depend on the rent that can be obtained for the property, less the cost of obtaining that rent. If building be cheaper or rates be lower, other things being equal, the price of the land will be higher and *vice versa*.

The value of land—the price paid for it to rent or purchase—does not rise or fall as the community takes a larger or smaller portion of it in rates or taxes, any more than it is affected by the fact that there are mortgages or other charges upon it. The total value of the land is the same whatever the rates or other charges upon it are. What those rates or other charges do is to diminish the net amount of the total value that will remain to the owner, and consequently they affect the price which a purchaser will pay for it, because its

total value is subject to those deductions ; but they do not diminish or increase that total value.

Two Interesting Cases

The truth of this was curiously illustrated some years ago by Mr. B. F. C. Costelloe, who was one of the ablest advocates of the taxation of site values, when the London County Council was much more obsessed with that idea than it is now. In a pamphlet which he wrote on *The Incidence of Taxation*, there was a passage in which he was showing how public improvements benefit site-owners. Referring to the construction of the Tower Bridge and the creation of another great thoroughfare in connection with it, on the south side of the river, which was then in progress, he said that it would open up an improved and cheaper traffic route from certain great goods stations where there were large depots of building materials, and he added, "The result is, as the experts in the matter tell us, that the opening of the new street will, in fact, cheapen new houses, and by so much increase the value of building sites in many parts of London north of the River."

Clearly, this contention that cheapening buildings increases the value of the site involves the admission that it does not lower the rent of the house, and that the price of the house is determined by considerations other than the cost of the building. If you reduce the cost of building houses site values go up. The same result follows if you reduce rates. In 1878 the $\frac{1}{2}$ d. toll over Waterloo Bridge was abolished. A number of people employed on the north side of the river at Covent Garden, the Strand theatres, etc., lived in the small houses across the bridge. When the toll was abolished the rents of these houses were raised. The increased rent meant increased site value. The value of the houses to occupiers was settled by other considerations, and they remained unaltered. Prior to the abolition of the toll part of the value of the houses to the occupiers was paid in rent to the owners and part in toll to cross the bridge to get to them. When the toll was abolished the owners were able to annex that part of the value of their houses.

The Offered Gift of Land at Edmonton

An interesting case, which is supposed by some people to demonstrate the effect of rates on housing, was given by Mr. Edgar Harper, then of the London County Council, now Chief Valuer at Somerset House, in his evidence before the Committee of the House

of Commons on the Taxation of Land Values (Scotland) Bill, 1906. He said :

In 1901 Sir Samuel Montagu, Bart., M.P., offered to the London County Council, *as a free gift*, an estate of about twenty-five acres at Edmonton, to be devoted to the erection of dwellings for the working class. The Council's Standing Orders prohibit the carrying-out of building schemes unless there is a reasonable prospect that the rent received will cover all expenses, including interest and sinking fund, to liquidate the capital outlay. The policy of the Council has always been to avoid throwing any charge upon the rates in connection with their dwellings. After very careful calculations the Council were most reluctantly compelled to decline the gift, because the development of the estate, notwithstanding the exclusion of land value from the question, would have thrown upon the London rates a charge of over £700 per annum. The largest estimated item of outgoing was one of £2000 in respect of rates. Had these been calculated according to land value only, this item would have been reduced by more than one-half, and the estimated deficiency would have been converted into a surplus. But under the existing system houses could not be erected upon this land on a remunerative basis.

The first point to be noted about this incident is the striking confirmation which it gives to our contention that the price of the land is comparatively a small matter. Here the land was to be given : it was to cost the Council nothing ; but that did not suffice to make the housing scheme a practicable one.

The contention about the rates involves the same old fallacy that we have already disposed of more than once. If this land had been such that houses on it would be free from rates, it would have fetched a much higher price when it was sold, a price increased by the capital value of the rates of which it was relieved. The fact that in this case the land was given makes the instance a special one and deprives it of all value as an illustration of general application.

Mr. Hemmerde, M.P., and the Hanley Case

Here is another instance of which a good deal was heard last year (1912). It is stated thus by Mr. Hemmerde, K.C., M.P. :

In a recent by-election, the following facts caused considerable comment. In a quarter of the town of Hanley forty cottages were built to the acre upon land valued at £1000 per acre. To each cottage there was thus assigned £25 land value, and upon each plot was erected a cottage costing, roughly, £175. The value of land and cottage was £200. The rents were fixed at £12 a year. The rateable value was £10.

The rates were 11s. 3d. in the £. The rates on each cottage were thus £5 : 12 : 6 a year, or more than 2s. a week. The occupants of these cottages often had little more than £1 a week. The burden of rates thus became an income tax of more than 2s. in the £ upon the poorest of the people. If the third part of these rates were removed by means of a land values tax, for rates of £1 : 17 : 6 would be substituted a tax of 2s. 1d. If the whole rates were levied upon a land value basis, the rates upon these cottages would be 6s. 3d., instead of £5 : 17 : 6. This is a very common case.¹

The fallacy is the same as before. Taking these figures as they stand—their accuracy or otherwise is immaterial to the argument—they show that the occupants of these houses pay £17 : 12 : 6 a year for them. They pay that sum because the higgles of the market, adjusting demand and supply, fixes that amount as their value. It is worth the occupier's while to pay it; the owner is unwilling to take less, and the conditions of the demand for and the supply of houses do not compel him to do so. The total cost of £17 : 12 : 6 a year is the point at which the two pressures meet and become equal. We have seen that the rates, representing £5 : 12 : 6, have nothing to do with the fixing of the total value. They only concern and affect the disposition of the total value when it has been arrived at. The total amount that can be got and is got for the occupation of the houses is £17 : 12 : 6. If the rates were divided by one-half, or if there were no rates at all, the total value of these houses to the occupiers would be the same as it is now; the conditions of demand and supply would remain the same; consequently, the total amount obtained and paid for their occupation would be the same as it now is. That is to say, the occupiers would have to pay £17 : 12 : 6 for them and the owners would not take less, because they would be able to get that sum.

Why do not the occupiers of these cottages go farther afield, where land could be got at say £250 an acre—one-fourth of the price—and where the rates would probably be 6s. or 7s. in the £? If there were a permanent remunerative demand for such cottages, in such districts, they would speedily be provided. They do not go because there would be difficulties, loss of time and expenditure of energy or money in transit, in connection therewith, as well as the loss of the attractions of town life. In a word, they remain where they are and pay £17 : 12 : 6 for their houses because it is worth their while and they conceive it to be the best they can do. Those considerations would remain precisely the same, and would have

¹ Letter to *The Nation*, Nov. 16, 1912.

exactly the same force if there were no rates and the whole of the £17 : 12 : 6 had to be paid to the landlord instead of being paid, as now, part to the landlord and part to the rate-collector. The removal of those rates, or any part of them, would be a clean gift to the land-owner, less the special new land tax which was levied upon him in respect of the property. The greater part of those rates which are onerous and the whole of those which are differential fall upon him now and reduce the price he would otherwise get for his land. The beneficial rates fall upon the occupier now. If they were reduced or removed, the landlord would be able to exact an equivalent amount more in rent because the services which they provide, and which are worth the money to the tenant, would continue. The taxation of land values would be an utter fiasco as a device for reducing the cost of their houses to the people of Hanley.

Another View

In fact, Mr. Hemmerde realises at times what the true position is. What he fails to perceive is that the true position, as he sometimes sees and states it, completely demolishes the house of cards which at other times he laboriously builds up, in such passages as the one which we have quoted above, when he tries to make out that the transfer of a large portion of the rates from the whole premises to the land value only would relieve the occupier of the amount so transferred.

Here is a passage from a letter of his which appeared in *The Nation*, October 26, 1912, only three weeks before the one from which we have just quoted :

All economists are agreed that grants from the Exchequer in relief of rates are nothing but a bonus to the land-owners. They fix their rent in the full knowledge that certain burdens called rates fall upon the tenants. Remove these rates and the rent will be raised. This is not only economic theory ; in the case of the Agricultural Rating Act it is already an accomplished fact. The only way to prevent this is, when you have removed the rates, or a portion of them, to pay for the services originally charged upon these rates out of a tax on land values. It being clear that any payment by the Exchequer in relief of rates must be a bonus to land-owners, the only way to counteract this further endowment of landlordism is to follow and reappropriate the bonus by means of a tax. It is obvious that a scheme which would take away about one-third of the rates and tax the ground landlords, *who have hitherto escaped*, would be not only a great relief to ratepayers, but an act of moderate and even-handed justice. A system by which

the present rates, in their ultimate incidence admittedly a burden upon land in that their existence restrains the landlord from exacting the rent which their non-existence would render possible, should be paid for out of the pockets of the general tax-payers means simply the further endowment of landlordism.

Here he asserts that the rates come off the rent : they prevent the landlord from getting the rent he otherwise would. "Remove these rates and rent will be raised." "The ultimate incidence of the present rates is admittedly a burden upon land." "Relief of rates must be a bonus to land-owners." It "means simply the further endowment of landlordism," or as he put it in the previous letter from which we quoted : "The existence of rates reduces rent." He makes this fact his plea for putting a special tax on land values—"The only way to counteract this further endowment of landlordism is to follow and reappropriate the bonus by means of a tax." This, he says, would be "but an act of moderate and even-handed justice."

Put plainly, what this amounts to is this. The rates come off the rent. The rent would be that amount higher were the rates removed. The ultimate incidence of the rates is on the land-owner : they are a burden on the land. Therefore rates are now borne by the land-owner. Consequently, any relief of the rates, any reduction of them will benefit the land-owner and be a bonus to and an endowment of him. Justice, therefore, requires that this bonus should be counteracted and reappropriated by levying upon the land-owners a tax equivalent to the reduction in the rates.

Hopeless Inconsistency

This being so, it is perfectly clear that all the rigmarole about "the facts" which "caused considerable comment" at the Hanley election was the purest political fustian. As Mr. Hemmerde pointed out on October 26, 1912, that the removal or a reduction of the rates would be a bonus to the landlord, it was useless and hopeless for him to contend on November 16 of the same year that it would be a relief to the tenant. On the one date he contends that if the rates are reduced the rent will go up. On the other, his view is that the rent would not go up but the rates would go down. Both contentions cannot be sound. Either the bait dangled before the electors of Hanley, that the reduction in the rates would go into their pockets, was a piece of electioneering deception, or the contention that the tax should be put on the land-owner, because the

reduction in the rates would go into his pocket as a bonus to him, was fallacious. We have already shown which is the accurate view.

Nor does the inconsistency end there. It will doubtless have been noticed that in his letter of October 26, 1912, Mr. Hemmerde puts forward two entirely contradictory and diametrically opposed contentions. On the one hand, he says, "Remove these rates and the rent will be raised," and that the rates are "admittedly a burden upon land," and then a few lines farther on he speaks of taxing "the ground landlords who have hitherto escaped"! How do they "escape" if the rates are "admittedly a burden upon land" and "relief of rates must be a bonus to land-owners"?

Is Land to be Cheaper or Dearer or what?

It will be remembered that one of the contentions of land taxers, upon which they lay great stress, is that these taxes will make land cheaper. Indeed, it is upon this result of their proposal that they base most of their anticipations of benefit to the community. It is, therefore, interesting to note that some of the abler advocates of the proposal who have endeavoured to support and justify it by substantial and sustained argument thrown into the form of a book, while laying stress on the cheaper land phase in one part of their volumes, are found arguing in other parts that the real and ultimate effect of the taxes will be to increase the price of land! Here is what they say:

As the present taxes upon industry are one by one repealed, the benefit would soon show itself in increased value of the land.—Edwin Adam, *Land Values and Taxation*, p. 166.

The repeal of the unjust tax will add to the value of land out of which the new tax is to be demanded. Only such owners as are refusing to use their land fully will suffer from the change. The new rate will bear more lightly than the old on all land at present put to its average market use.—Edwin Adam, *Land Values and Taxation*, p. 168.

The proposal to substitute a tax on land values for all the present taxes is simply a proposal to substitute a direct tax on land values for indirect taxes on land values, and in doing so to avoid the indefinite loss incurred by every class through the indirect method.—John Orr, *Taxation of Land Values*, p. 16.

With the repeal of all existing rates and taxes, and with the substitution of one rate and one tax directly on land values, economic rent will rise.—John Orr, *Taxation of Land Values*, p. 101.

In Wellington, New Zealand, the rates on improvements were

repealed in 1901, and a rate on land values alone was substituted. The general expectation was that such a sweeping measure would certainly reduce the value of land, particularly in the centre of the city. Three or four years afterwards reports to the contrary effect came home.—John Orr, *Taxation of Land Values*, p. 19.

These Colonial experiments have been thorough enough to furnish tests of theories which have been widely held. It was generally assumed that a direct tax on what is called land value would diminish this value. This has never happened. Those who held this view overlooked the effect of remitting the existing indirect taxes on land value. The remission of the latter has been the cause of an increase greater than the reduction due to the imposition of the former.—John Orr, *Taxation of Land Values*, p. 24.

The new method of rating will not deduct anything from land value. The present rates are a charge on land value, and the new rates will be a substitution for the present charge. In point of fact, the new rate will be a smaller charge than the old one, so that, strictly speaking, the change in the method of laying rates will add something to the value of the land.—Harold Storey, *The Economics of Land Value*, p. 74.

Thus far we have three methods before us: the small constant tax; the small tax remaining unchanged on present values, with the whole of future increments claimed for the State; and a gradually increasing tax that will ultimately absorb all the unimproved value of the land. . . . What I want to bring into the acutest possible emphasis is the fact that in all three cases alike . . . there will be a continuous and progressive rise of land values after the Short Period is passed. . . . In the Long Period, even though the tax may absorb the whole of the land value, the prices and rents of land will rise.—Harold Storey, *The Economics of Land Value*, p. 78.

Plain men will be tempted to ask these gentlemen—"What is it, you think, would really happen? Would land be cheaper or dearer, or would there be no difference? Should we be relieved of rates, or should we still pay them in the form of increased rent? By what legerdemain are houses to be cheaper and occupiers' rents reduced, and at the same time the value of land to be increased?"

Further Confusion and Contradiction

The extraordinary confusion of thought and inconsistency of statement and argument in which many advocates of taxes on land values involve themselves is also amusingly illustrated in a series of articles which appeared in the *Daily Chronicle* in the closing months of 1908 and the early part of 1909, and were afterwards reprinted in a pamphlet entitled, *A Penny Tax on Land Values*. The following comparison of extracts will furnish an example:

And this brings us to another argument in support of the tax. So far from being a "special" tax, it will reach all members of the community. All must make use of land for their existence, and for the production and exchange of wealth. . . . Now, by taxing a value which all assist in producing, we secure some contribution from everybody; and this contribution will, "ex hypothesi," be proportionate to the value of land used or enjoyed by each. Could there be a fairer basis of taxation? (p. 8).

Values which are produced and maintained by the presence, activity, and expenditure of the whole population are without doubt the most suitable subjects for taxation; and of such values that of land is by far the most important. A tax upon land values must, for this reason, reach every member of the community (p. 12).

Here we have a writer—not a reckless speaker on a platform—calmly and deliberately enunciating—not in a hurried newspaper article, but in a carefully revised and selected reprint—the most diametrically opposed theories and statements. On the one hand, he tells us that a tax on land values would "secure a contribution from every citizen," and on the other, he assures us that "the land-owner will be unable to shift any part of the burden," and "has to bear the burden of the tax himself."

Another Instance

Mr. Harold Storey, in his *Economics of Land Value*, is similarly inconsistent and contradictory, as the following extracts show:

There is an element of rent in everything that a man purchases and consumes. The industry of the community produces a certain mass of wealth or goods;

All economists of repute—from Adam Smith to Professor Alfred Marshall—are unanimous in the opinion that a tax on rent—the value of land—must fall wholly on the receiver of rent—viz. the land-owner, and that he will be unable to shift any part of the burden on to any class of consumers (p. 15).

The land-owner has to bear the burden of the tax himself (p. 15).

The plain fact is that owners cannot raise rents at will. They can only do so when the actual rent paid is less than the full value—and then only when the tenancy or lease runs out. Rent is fixed according to the law of supply and demand, not by the will of the owner (p. 15).

Food, clothing, and machines are supplied at a minimum charge; the producer receives the minimum advantage out of the transaction. Thus a tax on these articles can-

the final price at which the goods are purchased includes the rent of all the lands that have been occupied in producing them and bringing them to market; and therefore under this system of taxation some fraction of every unit in the mass of material wealth would pass into the national exchequer in the form of land value. Thus in every purchase that a man made, no less than in the specific rent for his own occupation of land, he would be paying his tax to the State (p. 91).

It is certain that a tax on land value will draw some contribution from everybody (p. 91).

not be borne by the producer, and must needs be paid by the consumer who has been reaping the maximum advantage. On the other hand, land is supplied at a maximum charge. It is the owner who obtains the maximum advantage. In this case, therefore, the tax cannot fall on the user of the land, who is receiving the minimum advantage out of the transaction. It will fall on the owner, who has already gained all that can be won in the bargain (p. 45).

An Ingenious but Specious Argument

In a statement of "Our Principles and Policy" by Mr. Crompton Llewelyn Davies, Joint Secretary of the United Committee for the Taxation of Land Values, an argument is put forward which deserves notice. It is that as the rent of land is the difference in productiveness between any given piece of land and the least productive land in use, and as the return for individual exertions depends on the result that could be obtained if those exertions were applied on the margin of cultivation, anything which lowers that margin and compels people to have recourse to the less productive pieces of land decreases the return for individual exertions there and consequently generally. All the more productive land is not now used to the full. People are therefore driven to use the less productive and "rent—the difference in productiveness between any given piece of land and the least productive land in use—is in general increased beyond what is necessary or right, and the return to the individual's exertions is in general decreased correspondingly." "The Taxation of Land Values would discourage such unproductive retention, and if applied universally so as to absorb the whole of economic rent, would make it impossible." Under present conditions, the necessary and unjust lowering of the margin of cultivation unduly increases the rent and purchase price of land, and diminishes the legitimate reward of industry.

This apparently plausible contention is fallacious because it

assumes that recourse is had to the inferior land in this country which is now cultivated because full use is not made of the better land, and people are therefore driven to the least productive pieces. That means that if the better land were fully cultivated it would not be necessary to use, and we should not use, the most inferior land, and that the margin of cultivation would thereby be raised, with the result that the rent of land would be lowered and the reward of industry would be increased. But is it the fact that the inferior land here which is now cultivated would cease to be cultivated? At other times it is the contention of the land taxers that the result of the adoption of their policy would be that vast areas of land which is now largely moor and waste—and is certainly not land of good quality—would be brought into cultivation. If that were so, the margin of cultivation would be lowered rather than raised, and if so, according to the argument we are considering, rents would be raised and the reward of industry diminished. According to Mr. Davies, the good that is to be obtained is to be secured by reducing the amount of land under cultivation and thereby raising the margin of cultivation. The two positions are inconsistent and contradictory, and it will no doubt be admitted that if all the good land in this country which is not now cultivated were turned into farms, and if the most were made of all the most productive land that is already cultivated, none of the less productive land which is now under cultivation would cease to be cultivated.

There would be force in Mr. Davies' contention if the soil of this country now supplied the whole of the produce our people require, and there were no such thing as competitive supplies of agricultural produce of all kinds coming to our shores from all quarters of the globe. Neither of these conditions obtains. Economic laws are not limited by political boundaries, and this country is not an isolated economic entity. The margin of cultivation for us is not in these islands at all; but in the least favourable regions which are cultivated on the boundless prairies of distant newly developed lands. Whether or not, land here can be profitably cultivated, and the rent which can be obtained for it and the reward in cash which its cultivation will yield are determined by the price at which sufficient produce to supply our requirements can be delivered here from Canada, the United States, the Argentine, Denmark, and elsewhere. No increase or diminution in our produce here, no addition to or reduction in our cultivated area, nothing that a tax on land values could do in that direction would have any effect whatever

either in reducing the rent of agricultural land or in increasing the reward of industry. The rent of land and the reward of industry depend too much on what is done elsewhere, and are regulated by the price of produce in the world's markets. Curtail the world's supply of agricultural produce and the price of it will go up, rents here will rise, and the area of cultivation here will be increased. Largely and rapidly increase the world's supply, and prices will go down, rents here will fall, and the area of cultivation will be curtailed.

Are Rural Parishes to be relieved at the Cost of the Towns ?

An interesting point in connection with proposals for the taxation of land values is—Should the levies be made locally and be devoted to meeting the expenditure of the locality in which they were raised, or should they be levied nationally and then be allocated to localities, not in proportion to the amount levied in each, but in proportion, say, to population ? On this point a further question arises—Do land values belong to the Nation, or to the Municipality—the local community ? What precisely is the contention ? Is it the theory that the presence of the people on the spot and their energy, enterprise, and expenditure have created the value ? Then what have people elsewhere to do with it ? Are people in districts 100, 200, or 300 miles away to share the increased value given to land in London, Manchester, and Glasgow by the private and public expenditure and enterprise of the people there ? Are farmers in Wiltshire, Suffolk, and Lincolnshire to be relieved of the cost of local expenditure by appropriating part of the values resulting in London from the expenditure and enterprise of Londoners ? Are municipalities to be deprived of the results of their efforts and expenditure ? This seemed to be the view of Mr. Outhwaite, M.P., and Mr. Ure, M.P. Mr. Ure at Armadale (June 2, 1909) said that it was a sound and safe principle of far-reaching application “that the land of the country, the land as distinct from the improvements made upon it—in truth belonged to the Nation. And if this were so, that the Nation was entitled, as in the case of the licences (publicans' licences) to appropriate for public purposes a portion of the value of the land.”¹ This means, not that municipalities are

¹ It may be noted here that the difference between the ownership of land and the holding of a public house licence is great and fundamental. Prior to the Licensing Act of 1904 public house licences had for hundreds of years been granted for one year only and had been renewed year by year for another year only at the absolute discretion of the licensing authority. The licence-holder held his licence

entitled to tax land values because they have improved and largely created them; but that the land belongs to the Nation, and therefore the Nation is entitled to appropriate for national purposes such portion of the value of the land as it requires.

Mr. Outhwaite arrives at the same conclusions, but by a different method. He says:

It is only just that rural parishes should participate in the land values of the cities, for the people of the countryside help to create these values. Take London, for example. The people on the land contribute to the maintenance of the railways, the concentration of which at London creates land values. When the farmers send goods over the railways for sale or receive other goods in return, they pay on each occasion. In the first instance, the cost of freight is deducted from the price they get, and in the second it is added to the price they pay. But the ground landlords of London, as such, contribute nothing to the maintenance of the railway system, and the people who maintain the railways and create and maintain the value of city land have a right to share in that value.¹

It would be interesting to hear the opinion of Londoners as to who pays railway fares and rates. Practical experience does not confirm Mr. Outhwaite's theory. It is too much like the kind of thing we are accustomed to hear from Tariff Reformers. We shall, however, be led far afield if we yield to the temptation to discuss this development of land tax economics. Our immediate interest in the extract lies in the proposal that rural districts should share in the proceeds of the land tax on city land values.

Taxes on Land Values in Rural Areas

In localities where land values are small, and in some parts, if the value of reclamation and improvement be properly allowed for, they will be absolutely or nearly nothing, a tax on pure land value would be altogether inadequate to meet local, let alone national, charges, even if the whole unimproved value of that land value were confiscated. In districts where the pure land value is sufficient to meet local and national taxation, it would be found that making

with full knowledge that it was an annual grant and an annual tenure only, and he was formally and forcibly reminded of this by the fact that he had to apply each year for a renewal. That renewal could be and frequently was refused, and when it was refused no compensation was paid or payable, until the Act of 1904 introduced an arrangement whereby the holders of licences themselves provided funds to compensate those of their number who lost their licences for reasons other than misconduct.

¹ Paper read at The Farmer's Club, February 3, 1913.

the levies on land values alone would largely increase the rates on agricultural land and reduce it on the towns and villages.

Certainly if the value on which the land tax is assessed is the value of the land as it now is cleared of buildings, but not deducting the cost of reclaiming, draining, fencing, and road-making, then the rates on farms will be heavier than they are now. Speaking generally, levying all the rates on land values would mean that those properties where the land was a small portion of the total value would gain, and those where the land was the greater part of the total value would lose. Clearly, in the case of farms, the land forms the greater part of the total value of the property.

The single taxers have an inkling that this would be so, and therefore, when they are in agricultural and poor districts, they advocate relieving the rates of those districts by making the levies national and thereby increasing them in cities and large towns. What London and other large cities would say to a suggestion that their rates should be increased in order that the rates elsewhere might be reduced may easily be imagined. Now the outcry against the rates is loudest in the largest cities, and nothing would induce the people there to consent to extra levies being made on them to help other places where the rates are for the most part already lower. As a matter of practical politics, each county, city, and local government area would have to stand on its own feet and bear its own burdens. Under the single tax, that would mean a reduced revenue in poor districts, precisely where more rather than less is needed.

Faulty Economics

A further illustration of the weakness of Land Tax economics is furnished in another extract from the paper which Mr. Outhwaite read at the Farmer's Club :

It will be said that as the rent of the land is fixed on the basis of the tenant paying the rates, that on the transference of the cost of these services to the land value owner he will recoup himself when the rent is fixed again. Let us see how far this argument holds good. A farm is rented by A, the tenant, from B, the land-owner. A contracts to pay £100 a year and £20 in rates. The rent of £100 is £50 for use of landlord's improvements and £50 for use of the land. Land value and improvement value are equal in this instance. In such case it may be said that the £20 payable in rates falls half on annual land value and half on improvement value. In consequence, if A had not contracted to pay the rates he would have paid £10 a year more for the use of the land, the true annual land value being £60. Consequently, were the

£20 transferred from A to B, then A would be in possession of £10 a year of annual land value, he would be paying that amount a year less than the true economic rent of the land. As a result, on transference of £20 of rates to the landlord, £10 would be recoverable by him from the tenant by economic force. The other £10 would be paid by the land-owner, for he would not be able to get more than £60, the true economic rent of the land, nor more than £50, the annual value of the improvements, the buildings, etc.

The obvious fallacy in this argument is that it is assumed that the farm is only worth £110 to A, although he pays £120 for it—£100 in rent and £20 in rates. The fact is the value of the farm and the services which attach to it is £120. That is what it is worth to A, and it is the sum he has to pay and does pay for it. Of that £120 the landlord can only get £100 as rent, because another £20 has to be paid in rates. If the rates were abolished, or charged direct to the landlord, the farm would still be worth £120, as it is now, and the tenant would still have that amount to pay for it as he has now; only, there being no rates to pay out of it, he would have to pay it all to the landlord, who would be able to exact the full value of the property. Mr. Outhwaite's idea that only that part of the rates which, he assumes, falls on the land value comes out of the total value, and that the part of the rates which, he thinks, falls on the buildings, etc., does not come out of the total value, is fallacious and unsound. The rates as a whole are levied on the property as a whole, and they are part of the cost of the farm to the tenant, and unless the farm were worth that total cost (£120) to him he would not take it. That £120 being the value of the farm, the landlord would get that rent for it if the tenant had no rates to pay. The position would be precisely the same as if the landlord now let it free of rates and paid them himself. He would then require and get £120 as the rent, including rates. Farmers regard the sums which they pay in rent to land-owners and in rates to the local authority as one payment for the farm. The total amount which they have to pay and are willing to pay in one form to-day, they would have to pay and would pay under the suggested arrangement to-morrow.

The Land Taxer's Dilemma

We have already shown that it is the opinion of the logical and orthodox land taxers that all rates and taxes fall upon land now, that the amount of rent which the owner can obtain for land, either for agricultural or building purposes, is less by the amount of the

rates and taxes payable by those who occupy it than it would be if there were no rates and taxes. Indeed, if they are logical and consistent they must hold that view, although some of their followers appear to fail to perceive it. It is also true that those who do hold this view appear to hold it intermittingly, because when it is obviously fatal to their main argument they are apt to forget or ignore it entirely. However, whether they do or do not take this particular view of the ultimate incidence of all rates and taxes, the position in which their assertions and contentions inevitably place them is perfectly plain.

Their contention is that all the results of industry, enterprise, and invention in the use of the gifts of nature, after so much as is necessary to maintain labour and procure capital has been deducted, must go to increase rent; that is to say, must and will be and are appropriated by the owners of land. The following extracts will show that this view, with them, is not a mere rhetorical phrase: it is one of the fundamental propositions of their creed.

In *Progress and Poverty*, Henry George says:

Where land is entirely appropriated, as in England, the ultimate effect of labour-saving machinery or improvements is to increase rent without increasing wages or interest (p. 173).

All I wish to make clear is that, without any increase in population, the progress of invention constantly tends to give a larger and larger proportion of the produce to the owners of land, and a smaller and smaller proportion to labour and capital (p. 178).

Whatever be the increase of productive power, rent steadily tends to swallow up the gain, and more than the gain (p. 250).

In order that there may be no mistake about it, he further says:

From the produce of the labour and capital of England are now supported the burden of an immense debt, an established Church, an expensive royal family, a large number of sinecurists, a great army and great navy. Suppose the debt repudiated, the Church disestablished, the royal family set adrift to make a living for themselves, the sinecurist cut off, the army disbanded, the officers and men of the navy discharged and the ships sold. An enormous reduction in taxation would thus become possible. There would be a great addition to the net produce which remains to be distributed among the parties to production. But it would only be such an addition as improvement in the arts has been for a long time constantly making, and not so great an addition as steam and machinery have made within the last twenty or thirty years. And as these additions have not alleviated pauperism, but have only increased rent, so would this. English land-owners would reap the whole benefit.—*Progress and Poverty*, p. 213.

Free trade has enormously increased the wealth of Great Britain, without lessening pauperism. It has simply increased rent. And if the corrupt governments of our great American cities were to be made models of purity and economy, the effect would simply be to increase the value of real estate, not to raise either wages or interest (p. 180).

Mr. Harold Storey, in *The Economics of Land Values*, says :

Rent is a maximum charge upon the production of wealth. The amount of it depends upon *what people have left* when they have met the other necessary costs of life at the accepted standard. The land-owner gets all the surplus. If the surplus grows with the development and improvement of industry, he gets the new surplus also—unless some means can be found to force up the level of the accepted standard at which people are content to live (p. 41).

If the people were content to create no less wealth, but to live on half the produce at present consumed, the balance would certainly go in rent (p. 83).

If the wages of all workers were increased by twenty per cent the cost would ultimately fall on rent (p. 87).

Once labour and capital have received the minimum that will suffice to keep them afloat, there is no limit to the amount that land can appropriate—except the limit of the wealth produced. It takes all the rest, however much that may be (p. 40).

I am not concerned, at this point, to discuss the accuracy and soundness of these assertions and contentions. I have dealt with the substance of them in another part of this book. All I desire to do here and now is to establish the fact that the contention of these gentlemen is that all the available surplus production of the country, after labour has been maintained and interest on capital has been paid, must and does go to the land-owners as rent ; that competition and the operation of the laws of supply and demand tend to drive the remuneration of labour and capital down to the lowest point at which they can possibly be obtained ; and that all improvements in production, all reductions in taxation, and all material progress do but increase rent and add to the value of land.

If that were true, and in so far as it is true, it must follow that all taxes and rates, all charges which diminish the surplus—and all rates and taxes must diminish that surplus—must reduce the amount which these gentlemen contend goes to the landlord, and consequently must come out of the rent which he would receive were these rates and taxes abolished or reduced. The same law of economics which gives to the land-owners all the surplus benefits and profits of increased production must necessarily deprive them

of so much of those surplus benefits and profits as are intercepted and taken in the form of rates and taxes. This is so obvious that it may seem unnecessary to pursue it farther ; but it is so important and far-reaching that it is desirable that its full import should be made perfectly plain.

Do all Taxes and Rates fall on Land-owners now ?

I have said that some of the foremost and most logical advocates of the taxation of land values realise that their contention that land-owners appropriate all increase in benefits and profits, which the community and its individual members produce, involves the conclusion that all burdens, charges, and disadvantages which reduce those benefits and profits must also fall upon the land and diminish its value, and, therefore, be borne by the land-owner. Very few, if indeed any, of them, have however, until recently, openly admitted this. We have seen that Henry George says that all the benefit of reducing taxes goes to the land-owners. That is only another way of saying—although he carefully avoids saying it—that so long as the taxes are on they come off the value of the land. Mr. Hemmerde says that “ relief of rates must be a bonus to land-owners.” That can only mean that the burden of the rates is on the land-owners now. It is no “ bonus ” to any one to “ relieve ” him of a burden which he is not carrying.

Mr. John Orr, who has for many years been prominently identified with the agitation for the taxation of land values, in *Taxation of Land Values*, which has a preface by Mrs. Fels, says :

Rent is reduced by the full amount of the taxes paid by the tenants in any form (p. 2).

The proposal to substitute a tax on land values for all the present taxes is simply a proposal to substitute a direct tax on land values for indirect taxes on land values, and in doing so to avoid the indefinite loss incurred by every class through the indirect method (p. 16).

Speaking of Colonial experiments, he says : “ It was generally assumed that a direct tax on what is called land value would diminish this value. This has never happened. Those who held this view overlooked the effect of remitting the existing indirect taxes on land value. The remission of the latter has always been the cause of an increase greater than the reduction due to the imposition of the former ” (p. 24).

He is of opinion that a tax on tea comes out of rent, and that a reduction in a tax on tea increases rent (p. 68).

The exact incidence of such floating charges as customs, excise, and stamp duties cannot be traced in every case, but their repeal would find

expression in an increased value of land generally. A similar increase would take place with the repeal of the income tax under Schedules D and E, on incomes from trades and professions (p. 106).

Mr. Edwin Adam, in *Land Values and Taxation*, says :

By whatever mode the State may raise its revenue the burden must ultimately fall as a deduction from the rent which would be exacted by the land-owners of the country, if the circumstances of the land, that is, the benefits it derives from the presence and work of the community, remained the same, but the taxes were not exacted (p. 172).

The Imperial taxes which a man pays fall as deductions from the sum he can afford to pay in rent to the owner of the land for the right to use the land. . . . Thus, the Customs and Excise ultimately decrease the fund which monopoly rent would claim for itself (p. 173).

He considers that the Income Tax also falls ultimately on the land (p. 174).

Lastly, Mr. Josiah Wedgwood, M.P. :

Land value, now, to-day, is land value with the amount and incidence of present rates taken into account. If the same services were rendered by some external millionaire and no rates at all levied, land value to-day would be higher by the capitalised amount of the rate remitted.

Just as in the long run all rates may be said to be incident on the landlord, so, too, in the same long run all taxes are incident upon the landlord also.¹

Then, What is all the Fuss about ?

The question that will arise in the minds of most people after reading these quotations will be—If these men have convinced themselves that land-owners bear all the burden of all the rates and taxes now, inasmuch as they reduce the rent which they receive, and if these rates and taxes were abolished the land-owners would be able to obtain at least a corresponding increase in rent, What is all the fuss about ? If all the rates and taxes fall upon the land-owners now, what is the meaning of all the talk about land-owners paying nothing, land-owners escaping their fair share of taxing, land-owners reaping all the benefit of public improvements and municipal expenditure and contributing nothing to it, and the like ? If the rates and taxes already fall on them, what is the use of talking about the benefits which are to result to the community from taking rates and taxes off the occupiers, who apparently do not pay them now, and putting them on the landlord, who is already

¹ *Economic Journal*, September 1912.

bearing the burden of them? What do those members of municipal corporations, who, without really understanding anything about the proposals, and anxious only to see their way to some new source of revenue that would make their local rate-payers believe that they were paying less, have from time to time passed resolutions in favour of taxing land values—what do they say now, when they are told that this means “no new tax” and no more revenue, but only a readjustment of the burden, and in fact only levying it directly on the class upon whom it falls indirectly now? What comes of all the perorations about freeing land, emancipating labour, abolishing unemployment, banishing pauperism, and practically introducing the millennium if you are only going to make landlords as a whole pay directly what they already pay indirectly? Will not most people say—If what these land taxers say is the fact, and the position now is as they state, the whole agitation and propaganda has been a delusion and a fiasco?

Mr. Wedgwood's Explanation

So far as I am aware, Mr. Josiah Wedgwood, M.P., is the only one of the land tax leaders who has had the courage to face the position, as the quotations I have now made show the more thoughtful and capable men in the movement conceive it to be. His method of dealing with the difficulty is as instructive as it is interesting. In an article in *The Economic Journal* for September 1912, from which we have already quoted, he says:

But one may ask, what is the meaning of this claim to throw local and national taxation upon land proprietors, seeing that they already bear the full amount of it in the long run? The obvious reply is that they will not indeed be taxed more, but whereas they now receive in return for their taxes the enslavement of the whole population, under the Single Tax they will not find slaves—neither they nor other people will find slaves to work for them on the old terms.

And that is all!

What Mr. Wedgwood means by this somewhat cryptic saying is that under the present system the private ownership of land enslaves the people because it compels them to accept any terms they can get, under the penalty of starvation if they do not. His contention is that the single tax would what he calls “free the land,” so that land which is now “on the margin of cultivation” would not be worth owning by those who do not use it. They would feel obliged to give it up, with the result that there would be “spare

free land" that could be worked and lived on by any one who wished to do so, without paying rent or taxes. Then any one who was out of work, or who was discontented with his position, would always have the alternative of going on the land and producing his own support. This land would form a reservoir for the overflow of the labour market and a refuge from unsatisfactory conditions, which would enable "the wage slaves of modern industrialism" to "demand at ease and leisure far better terms" than they can get now.

This is the theory. As to its practical working, Mr. Wedgwood seems to have some doubt. In the first place, he thinks there might be "some difficulty in ousting the present owners by a land values tax." Therefore, he thinks that "probably the simplest, as well as the most honest, way would be to cease to protect by law the private possession of such land, except in so far as it was actually occupied and improved. All marginal land, not actually occupied and improved, should be as free as air for use and occupation by the first settler."

In the second place, he doubts that the chronic unemployed and the wasters would go on to this land; but he thinks that "plenty" of "the best of the workers" would. He also thinks that there would be all manner of temporary squatters on still poorer unoccupied land—ex—"casuals" of the workhouse, and men in temporary difficulties. "Consider," says he, "what it would have meant to the miners, the railwaymen, and, above all, the dockers of the last two years' strikes had they been able to secure land where they and their families could have had temporary shelter and carried on a little rough gardening until terms were arrived at."

An Absurd Suggestion

It is difficult to believe that a proposal of this kind can be seriously put forward; but Mr. and Mrs. Josiah Wedgwood, who expound this doctrine in a recently published volume of 156 pages, entitled *The Road to Freedom*, are serious and earnest enough, and Mr. Wedgwood is one of the most prominent of the advocates of the taxation of land values in the House of Commons.

The absurdity of the whole thing is so obvious that it seems unnecessary to do anything more than state the folly and leave it. Two things are outstanding. One is that if you are going to abrogate the law, so far as land on the margin of cultivation goes, and let any one have it who cares to seize and occupy it, it seems unnecessary to bother about the taxation scheme in order to get it. It would be

simpler, and certainly quite as honest, to confiscate it at once, and allot it to any one who asked for it. The other is that it is simply ludicrous to think that men could be turned on to moors and wastes and mountain-sides in the intervals of unemployment or of strikes, without capital, without buildings, and without implements, and, as a rule, without even the rudiments of agricultural knowledge and experience, and expect them, there and then, on the least productive and most difficult land in the country, to make a living right away. They could not wait while they cleared the land, and, if it were cleared, they could not wait while the crops grew. They would need a livelihood for themselves and their families immediately that day or that week, even if they could raise the cost of getting to the place. They could not wait for the harvest, which would be months away; and if they could, probably the strike would be over or employment would be offered before then.

It would be a complete waste of time to discuss such a useless and hopeless scheme. I have only referred to it because it is the reply which is given by the only one of those land taxers who believes that the land-owners bear all the rates now who, so far as I am aware, has had the courage to attempt to reply to the obvious question, "Why then bother to take from the land-owners directly what already falls upon them indirectly?"

Mr. Dundas White, M.P., seems to have a similar idea floating about in his mind when he says:

No man need work for another for less than he himself can win from such land as is available for him. This may be called the law of the minimum wage."¹ And again: "Nature's minimum wage is what the worker can make by employing himself on such land as is available, subject to the payment of its rent. He need never work for less."²

This either involves Mr. Wedgwood's hallucination over again, or it merely means that no man need work for another for less than he can get somewhere else: which is simply a platitude and nothing more.

Is every one to pay, after all?

One more illustration of the confusion in which these gentlemen contrive to involve themselves must suffice. Mr. Harper, the Chief Government Valuer, and a member of the Departmental Committee, 1912, and Mr. C. L. Davies, the principal witness before that Com-

¹ *Land Reform in Theory and Practice.*

² *Land Values in a Nutshell.*

mittee on behalf of the Land Values Group of M.P.'s, repeatedly expressed the opinion that the greater part, if not indeed the whole, of the burden of local rates tends to fall upon the owners of the land whether it is built on or not, and that if local rates were levied entirely on land values instead of on the present rateable value the effect would simply be to readjust the burdens which are already on land-owners amongst the individuals who form that class. The amounts paid by individuals would be altered, but the total amount payable by land-owners as a whole would be the same. After this doctrine had been made as plain as repeated statements and reiterated questions and answers by these two gentlemen could possibly make it,¹ it is hopelessly bewildering to read the following questions by Mr. Harper, and Mr. Davies' replies to them :

1276. If you levy all the local taxation according to the value of land, will not every industry contribute through the value of land in proportion to the use it makes of land ? Yes.

1277. And, therefore, through the channel of land values you will equitably distribute the burden of the rating over the whole ? I think so, between every kind of employment and between every kind of individual : every individual must use land, and according to the advantages of the land which he uses he will pay to the community.

Here we have the distinct suggestion, to which we have already referred, repeated, that if local rates be levied on land values land-lords as a class will not bear the burden, but every individual in the community, whatever his class or status, will bear a share of that burden and pay the community "according to the advantages of the land which he uses." We are told that "every individual must use land," and therefore the burden of rating will be distributed "between every kind of employment and between every kind of individual" !

What the Electors are told

In the midst of the inconsistency and contradiction, it is impossible to avoid wondering whether those who listen to perorations and read lurid leaflets on this question have ever realised that one phase of the teaching is that the burden of rates which now falls entirely or almost entirely on land-owners is, according to this last version of the scheme, to fall upon every kind of individual in every kind of employment.

¹ See *Report of Departmental Committee on Local Taxation*, vol. i., Questions 1036, 1079, 1167, 1177, 1860-1, 2144, 2344, 3459, etc.

What the land taxers really put before the people is illustrated by the statements which Mr. Outhwaite, M.P., made on two handbills which were specially issued by him at the Hanley election in July 1912. Those handbills ran thus :

THE WORKER AND THE HOUSE TAX

A Rate on a House is a House Tax paid by the Occupier. In Hanley, with rates at 11s. 1½d. in the £, when the tenant pays 6s. a week for a cottage, including rates, he pays 4s. 3½d. for the cottage and 1s. 8½d. to the rates. His contribution to the rates is £4 : 9s. a year. This enormous tax goes chiefly to pay for Education, Poor Relief, Police, and other great national services.

The Land Values Members in the House of Commons want the Government to take these services off the rates and find the money by a National Land Values Tax.

Then the Hanley Worker, even if he owned the site, would pay at most 5s. a year instead of £4 : 9s. This is a saving of 1s. 7½d. a week, and equal to a rise of wages to that amount. The great land monopolists would find the money instead.

TO THE COTTAGE-OWNER

A Land Values Tax falls on the value of the site only. The Rates fall on the site and the Cottage. The provisional valuations for Hanley made under the Finance Act of 1909 show that the average site value of a Cottage is £20. Such a Cottage is assessed at £8 for rates and pays £4 : 9s. per annum. The whole of the annual land value of this site is 4 per cent on £20, namely 16s. a year.

Rates compel the cottage-owner to pay Five and a half times his land value. This is confiscation with a vengeance. Under a Land Values Tax, in place of rates the cottage-owner would not pay more than 5s. a year on his site.

A Land Values Tax will shift rates on to the great landlords who now escape all contribution.

Both handbills closed with an appeal to "Vote for Outhwaite."

Here we have the working man *Occupier* told that he pays the rates ; that they cost him 1s. 8½d. a week or £4 : 9s. a year ; and that the land taxers would make the land-owners find the money instead of him and thereby enable him to save what he now pays in rates and thereby practically increase his wages to that extent.

At the same time, on another handbill, the *Cottage-owner* was told that he pays the rates, and that it is "confiscation with a vengeance" that he should do so. The Owner was told that under a Land Values Tax he would only pay 5s. a year instead of the £4 : 9s., or "Five and a half times his land value," which he pays now.

Thus the *occupier* was told that *he* pays the £4 : 9s. and the Land Taxer would relieve *him* of the whole of that payment; and the *owner* was told that *he* pays the £4 : 9s. and the Land Taxer would relieve him of £4 : 4s. of that payment! It is unnecessary to point out that two such directly contradictory statements cannot be true. As a matter of fact, neither statement is accurate.

But that is not all. Mr. Josiah Wedgwood, M.P., who is Mr. Outhwaite's Parliamentary leader and represents the adjoining constituency to Hanley and was his chief supporter at the election in question, is strongly of opinion that all the rates fall upon the land-owners now.¹

While Mr. C. L. Davies, secretary of the Committee for the Taxation of Land Values, and the official representative of the Land Values Group of M.P.s before the Departmental Committee, 1912, agrees that local rates "now fall on landed property,"² and yet is of opinion that Land Taxes would "distribute the burden of the rating" over every industry, so that it would be shared "between every kind of employment and between every kind of individual."³

The Outcome

The result is that we have the high priests of the movement at one and the same time declaring :

1. That the occupier pays all the rates and would be relieved of all of them, and therefore practically increase his income by that amount, if rates were levied on land values.

2. That the occupier does not pay the rates at all but the owner of the property does, and taxing land values would relieve him of all but a fractional part of them.

3. That the occupier as such does not pay the rates, that the owner of the building does not pay them; but that they all fall upon the owner of the land now, and if they were levied on land values only they would still all fall on land-owners as a class as they

¹ Evidence before Departmental Committee, 1912, Answers 1865-9; and article in *Economic Journal*, Sept. 1912.

² Departmental Committee, Answers 1167, etc.

³ Departmental Committee, Answers 1276, 1277.

do now, but the distribution of the amounts as between individual owners and land would be altered.

4. That the result of levying rates upon land values would be, not that either occupiers or owners of houses would be relieved of them, but that "every kind of individual" and "every kind of employment" would bear its share.

NOTE

If economists thought that the distinguished single tax leader had solved this problem [the introduction of the social millenium], they would enthrone him high on their council seats: they would reverently bend the knee and acknowledge in him a master, a prophet. But when he comes to them with a tale that is as old as the hills; when he sets forth in his writings doctrines that have long since been refuted; when in his enthusiasm he seeks to impose a remedy which appears to them as unjust as it is one-sided, as inconsistent as it is inequitable—they have a right to protest. This is not the first time that some enthusiast has supposed that he has discovered a world-saving panacea. The remedy for social maladjustments does not lie in any such lopsided idea.—Professor SELIGMAN.

PART X

SUMMARY OF CONCLUSIONS

AND THE

PRINCIPLES OF TAXATION AND SOME PROPOSALS
FOR REFORM IN RATING CONSIDERED

“To most people taxation is a great mystery. To a few it is the most fascinating of subjects. There seems to be no middle course. Either a man has thought so much about it that his utterances are unintelligible to the people, or he cannot discuss it intelligently because he does not know its alphabet.”—Professor W. SMART.

“Whoever hopes a faultless tax to see

Hopes what ne'er was, is not, and ne'er shall be.”

M'Culloch's adaptation of Pope's lines.

“Our investigations and deliberations have been prolonged and laborious; and the longer we have studied the problems involved in the reference to our Commission, the more have we become impressed with the extreme difficulty of finding a practical solution of them. It would be difficult enough to devise an equitable system of raising taxation ‘for local purposes’ if we were starting *de novo*; but in attempting to revise a system already established, and gradually built up over a long period, in an unavoidably fragmentary fashion, we have found ourselves confronted with difficulties, which it is not easy to exaggerate, and which can hardly be appreciated by those who have not considered the subject from every standpoint.”—Sir ED. HAMILTON and Sir GEORGE MURRAY, Final Report of Local Taxation Committee, 1901.

“In attempting to solve these difficult problems we must take care not to redress any present inequalities by creating fresh inequalities.”—Sir EDWARD HAMILTON.

“Just as it is no excuse for new taxation that it is so disguised—like pills in jam—that the tax-payers do not know that or what they are paying, so it is no excuse for new taxation that the owners of any particular form of wealth cannot escape, but must pay. This is mere highwayman ethics.”—Professor W. SMART.

“People can always be relieved for the moment by stealing other people's goods.”

CHAPTER I

SUMMARY OF CONCLUSIONS

It will probably be convenient if I now summarise and bring together the results of our survey of the extensive fields of thought, history, and proposals over which we have very rapidly travelled in the preceding chapters. It is submitted that it has been shown :

1. That some of the proposals which have been considered with regard to the ownership and taxation of land raise questions which go down to the foundations of the social structure and of civilised government.

2. That the assertion that the private ownership of land is contrary to natural right and justice cannot be maintained.

3. That the statements that the rich are becoming richer and the poor are becoming poorer while the middle class are being swept away ; and that the ownership of land enables its possessors to secure for themselves all the benefits of material progress, are contrary to the plain facts of history and of personal experience.

4. That the statements that the labourers of olden times were the freeholders of the soil and especially of the commons, and were deprived thereof by the lords of the manor by force and fraud, are incorrect : the truth being that in Anglo-Saxon and early Norman times the labourers were in a position of servitude and serfdom with few rights and few or no possessions of any kind. Certainly they did not own the land, and when they emerged from servitude and serfdom and became personally free and wage-earning labourers they had not as a body or class any ownership of land or rights in it. Such of them as had any such rights had acquired them personally by purchase or grant, or enjoyed them as tenants and occupants of particular dwellings or holdings to which such rights happened to be attached.

5. That the true history of enclosures is widely misconceived

owing to the dissemination of accounts which omit and ignore vitally important facts and considerations. That, while enclosure was not only desirable but essential, it did often cause serious disturbance of many existing interests and brought hardship and loss upon a number of people whose resources were small and whose power to grapple with and adapt themselves to the new conditions was very limited. It is quite clear now, and as time passed during the great enclosure period from 1760 to 1830 it became clear then to the most competent observers, that though the legal rights of the various parties concerned did not require it, it would have been wise and equitable to attach allotments of land to cottages and to have paid more attention to securing for the labourers a more secure, independent, and satisfactory position than they then obtained or have since been able to obtain under the conditions which then were created or have since evolved. As time went on something was done by Parliament in this direction, and much more has been attempted in recent years; but it has all hitherto proved to be less than the necessities of the case require.

6. That the theoretical and the historical basis of taxation was not, as is often asserted, that land should bear or provide all the revenues of the state; but it was that all free citizens should contribute to the requirements of the state according to their ability, ascertained by reference to and assessed upon their possessions, which in early times were almost exclusively land and the stock upon it and the produce of it.

7. That in place of it being true that the land-owners of the country repeatedly succeeded in evading their liabilities and responsibilities in the matter of taxations, national and local, and in transferring the burden to the shoulders of others, the fact is that the history of taxation for several centuries is a record of numerous efforts made to secure from personal property and incomes equitable contributions to national and local expenditure, and of repeated successful efforts of personalty to evade its responsibility and leave it upon real property.

8. That the story of the Land Tax as commonly told is a curious travesty of the facts, and in several important particulars the precise opposite of the truth.

9. That Local Rates were originally levied on all inhabitants and occupiers and were a general property or income tax levied upon each person according to his means and substance, in other words, according to his ability to pay; and that in course of time personal

property—stock-in-trade, etc.—entirely evaded its liability and left the burden practically on land and buildings only.

10. That the burden of local rates is now largely upon land. That there is much misconception as to their incidence and as to the results to occupiers that would follow any revision of the basis on which they are assessed.

11. That the proposal to confiscate the whole or the greater part of the present interest of land-owners in pure land values by levying all rates and taxes, or a heavy additional portion of them, upon those values is morally indefensible; and in view of the fact that the legislature has for a very long time by repeated enactments compelled trustees, institutions, mutual societies, and other bodies and persons who are in a fiduciary position towards a vast multitude of the most dependent and helpless portion of the people, to invest the funds which they hold on their behalf in a limited class of specified securities, of which real property is the most important item, it would be a grave breach of public trust and good faith to so specially tax and penalise that particular class of property as to seriously reduce its value, when and where it cannot be shown that the owners of such property are not, in respect of it, contributing a reasonable, equitable, and full share towards the public revenues of the community, local and national.

12. That most of the claims which are made with regard to the results which it is alleged would follow the proposed penal taxation of land values are baseless and contradictory.

13. That to penalise and punish all owners of land because some of their number are sometimes unwise and pursue a policy which is not in the best interest of the community would be unjust.

14. That to specially tax persons in respect of a particular class of property beyond the proportion of public burdens which they ought otherwise to bear, merely in order to compel some of them to sell their property at less than its market value apart from that special taxation, would be contrary to sound and equitable public policy.

15. That while much of the political propaganda of the present day is based on a curious mixture of false philosophy, bad law, worse history, and a gay disregard of facts, logic, and political economy, and is, therefore, calculated to raise a prejudice against and place difficulties in the way of genuine reforms, it does not at all follow that the conditions under which land can be acquired and occupied and the laws governing the rating and taxing of land and

buildings do not need attention and might not, with considerable public advantage, be revised in important particulars.

As any proposal to place the burden of taxation on some other person is certain to be listened to with attention, the principles of elementary justice render it very desirable that schemes for taxing special classes of people, especially when it is thought that the tax proposed cannot be shifted and diffused over the community, should be carefully investigated. If it can show that there is any class in our midst who, according to the recognised principles on which contributions to local and national revenues are or should be required, are not paying their fair and full share, then it is undoubtedly our duty to require them to pay more. For instance, if of two persons in equal circumstances, one is paying less than the other, owing to some flaw in the method of assessing or rating, such a change in the law should certainly be made as will adjust the inequality and rectify the anomaly.

I shall now, therefore, proceed to consider briefly the broad general principles on which our local and national taxation is based. After that some of the more important and salient facts of our rating system will be stated and discussed, and reference will be made to some of the more reasonable and practical reforms which are proposed. This will be followed by suggestions of changes which, I think, might advantageously be made.

CHAPTER II

GENERAL PRINCIPLES OF TAXATION AND RATING

THE Government — local and national — embracing therein all public authorities, renders certain services to the community. From time to time the number of those services is increased and their scope is extended as civilisation develops, and the complex conditions of modern, and especially of urban life, render it necessary or desirable that the community, as a whole, should undertake duties and provide services which were either not required before, or were undertaken or supplied by private effort.

These services are roughly of two classes :

(1) Those which are general, including those which national necessities and enlightened self-interest require for the well-being of the community as a whole, and those the cost of which the social conscience considers should be borne by the whole community. Under this head come those services which are regarded as elementary duties of Government, such as the maintenance of law and order, the defence of the realm, the administration of justice, and the collection of the revenue ; together with such general services of public advantage, convenience, and duty as education, the poor law, old-age pensions, national insurance, the administration of sanitary, factory, workshop, mining, shipping, and railway regulations, and the maintenance of main roads and public parks.

(2) Those which are more or less local and of the nature of services to individuals undertaken on grounds of individual, as well as general, convenience and economy, such as street and footpath maintenance, cleaning and lighting, the removal of house refuse, the supply of gas, water, electric light, public baths and wash-houses, drainage, tramways, harbours, cemeteries, and the postal, telegraph, and telephone services.

The dividing line between the classes as regards some of these services is not always very clear, and opinions will vary as to the one in which they should be placed : but the broad lines of distinction are obvious.

The methods of allocating the cost of these services amongst the public also fall into two main divisions, which do not, however, quite correspond with the classification just made of the services. These are :

(1) A charge made according to the use made of the service by the individual, as in the case of gas, electric light, trams, harbours, and cemeteries ; post, telegraph, and telephone services ; baths and wash-houses, and to a large extent water ; or roughly, as far as practicable, according to the benefit received from the service, as in the case of local rates for street and footpath maintenance, cleaning and lighting, and drainage and removal of house refuse.

(2) Charges made roughly according to ability to pay, as in the case of taxes or rates, for the maintenance of law and order, national defence, main roads, poor law, sanitary and industrial legislation, education and libraries.

The cost of the National Insurance Act is borne by charges which combine the principles of both divisions.

Two somewhat Conflicting Theories

There has been much controversy between the advocates of the benefit theory of taxation on the one hand, and the ability to pay or equality of sacrifice theory on the other. The truth is that neither theory alone, to the exclusion of the other, is satisfactory. There is much to be said for both. The benefit theory breaks down in regard to the poor law, old-age pensions, education, and national health insurance. Those who benefit most are least able to pay. It would be impossible to impose the whole of the cost of these services upon them.

The ability to pay, or equality of sacrifice theory, is the sound principle on which to base taxation for general services, and also for those more or less individual services which most immediately and directly benefit the less well-to-do, but which the social conscience and enlightened self-interest of the community recognise should be a charge borne according to ability to pay. This is so, first, because the benefits of government and the services rendered by public authorities, national and local, cannot be measured out to and assessed upon individuals ; and second, because the true and sound

idea of the relation between the citizen and the State is of a character altogether different from that of a trading transaction.

On the other hand, it is both desirable and largely practicable to apply the benefit received or use made theory in such cases as the supply of gas, water, and electric light, tramways, harbours, cemeteries, and the postal, telegraph, and telephone services, drainage and the maintenance, cleaning, and lighting of streets and footpaths.

There are two methods of levying charges according to use made or benefit received. One is to make a distinct and separate charge according, so to speak, to the quantity used, as in the case of gas, electric light, post, telegraph, and telephone, trams, harbours, and cemeteries, where those who use them pay when and for what they use. The other is to levy a rate on some basis which will make the charge roughly approximate to the use made or benefit received, as in the case of local rates for water, drainage, street maintenance, cleaning and lighting, and the removal of house and street refuse.

In so far as local rates for the purposes just mentioned are really borne by the occupier of the premises, they to some extent fulfil the conditions of falling upon those who pay them in proportion to the benefit received.

Most of this expenditure of local authorities is for services which householders, occupiers, and inhabitants would in some way have to provide for themselves if the local authorities did not supply them. Roads, drains, paved footpaths, street lighting, and the removal of house and street refuse are necessities in these days. On the whole they are well worth their cost. The expense of them cannot readily be charged to each person, household, or business firm in proportion to the use made of the services or the precise benefit derived therefrom. The rateable value of the premises occupied is taken as a rough and ready basis for levying the charge for them, and, on the whole, it is probably as fair and as reasonable a method of allocating the expense as is available and would be practicable without incurring more expense than any attainable advantage would be worth.

So far as the levying of rates to defray the cost of such general services as education, the poor law, and old-age pensions is concerned, it is quite true that taxation in proportion to the rental value of the premises occupied is not necessarily taxation in proportion to ability to pay. Even if rates on residences only be considered, it is well known that the wealthier people are the smaller is the pro-

portion which the rateable value of their residence bears to their total income. Working people spend a much larger proportion of their income in house rent than the middle and richer classes do. Local rates, therefore, fall upon them, so far as they fall upon them at all, more heavily in proportion to their income than they do upon other classes. On the other hand, if the benefit theory be taken into consideration it may fairly be urged that, in so far as that considerable portion of local expenditure which falls under the heads of education and the poor law is concerned, the working classes receive the lion's share of the benefit from it.

It is on shops, warehouses, offices, works, and the premises of commercial undertakings where local rates, so far as they really fall upon the occupiers, most markedly represent a tax which is in excess of a due proportion to ability to pay, if ability to pay be estimated by net income. The extent and value of the premises occupied bears little or no relation to the profits made from the business carried on there. Some businesses require much larger premises than others, the profits of which are much greater. On the other hand, there is force in the contention that, speaking generally, the concerns which occupy the largest and most valuable premises do necessitate a corresponding expense on the part of the local authority for the maintenance, cleaning, and lighting of streets, and for drainage and police; and also that, as large employers of labour, they ought to bear a corresponding share of such costs to the community as are involved in the expenditure for education, poor law, and similar purposes, which is specially heavy in districts where large masses of working people reside. Such expenditure is part of the cost of the presence of those industrial undertakings in that vicinity, and it is not unreasonable that, in so far as the burden of that expenditure really falls upon the occupiers of premises, a considerable share of it should fall upon those who occupy the premises which bring to that locality the people who necessitate the expenditure.

A Local Income Tax

For all general services, the ideal method of obtaining the revenue required would undoubtedly be by means of a universal graduated income tax. Such a method of taxation is, however, impracticable, at any rate at the present time, in this country. No government that attempted to enforce it could remain in power for a single week.

A local income tax would also present special difficulties. Should the local tax be paid where the man lives or where his business is? The two places are frequently in different local government areas. If he has more than one residence, where would the local income tax be payable? Many wealthy people do not pay any income tax personally. That is to say, no demand note is served upon them and they never draw a cheque for the tax. The tax on their income is all paid at the source and is deducted before they receive the dividends or rents. Would the local tax be levied on them where they live or on their income at the source? If the former, then localities in which there are great works of public companies would receive no revenue from them. If the latter, then the localities in which wealthy persons live would receive no revenue from those persons. Such matters as abatement and graduation would also be enormously complicated.

For the purpose of raising revenue from the great masses of the people, those who are less well-to-do and the wage-earning classes, from whom the direct collection of taxes would be very difficult, inconvenient, and unpopular, indirect taxation has many advantages. When, as in this country, the indirect taxation is very largely levied on such articles as alcoholic drinks and tobacco, which are not necessities and are at best superfluities and luxuries, the consumption of which is quite voluntary, and the direct taxation omits from its purview practically the whole of the working classes, and is very considerably graduated in its amount in the pound on the income and property of those who are liable to income tax, death duties, etc., we have travelled far in the direction of taxation according to ability to pay.

A perfect system of taxation is unattainable. Whatever system is adopted it will always be possible to find individual cases of more or less hardship and inconsistency with the theory on which the system is based. In this respect, as in others, "hard cases make bad law."

Local Expenditure and Local Rates

The aggregate expenditure of local authorities in England and Wales—other than expenditure paid for out of loans, but including interest on and repayment of loans—for the year 1910-11 was £129,416,957.

The money required to meet this expenditure was received from the following sources :

Public rates	£65,152,299
Grants in aid from National Revenue, including licence duties	21,164,998
Tolls, dues, rents, and receipts for gas, water, electricity, tramways, harbours, markets, cemeteries, etc.	44,756,950
Total	£131,074,247

Roughly, half of the expenditure was defrayed out of local rates, and one-third was met by payments made in the form of tolls, dues, gas, water, and electricity charges, tram-fares, etc., by persons for services rendered. The remaining one-sixth was received from Government grants and allocated taxes.

The gross estimated rental value of the property rated was £275,495,953. The rateable value was £221,011,832.

The average amount of the rates received was 6s. 4·2d. in the £, or 36s. 4·9d. per head of the population.

The average amounts of the rates in the £ and per head were :

	<i>s.</i> <i>d.</i>	Per Head.
		£ <i>s.</i> <i>d.</i>
London	6 11·3	3 9 1
County boroughs	7 3·0	1 16 1
Other boroughs and urban districts	6 7·9	1 15 11
Rural districts	4 6·6	1 8 7

Rates in London ranged from 6s. 2d. to 12s. 1d. in the £.

Rates in county boroughs ranged from 4s. 2½d. to 10s. 5d. in the £.

In England and Wales the amounts raised by rates and received from Government grants ; the amount of the rates in the £ ; and the total rateable value, were as follows, in the years named :

	Rates.	Per cent.	Parliament Grants, etc.	Per cent.
1842-43	£8,847,000	97	£244,000	3
1872-73	18,572,000	94	1,146,000	6
1891-92	28,509,000	79	7,415,000	21
1910-11	65,152,000	75	21,165,000	25

	RATES IN £	<i>s.</i> <i>d.</i>
1803-	.	4 5¼
1817-	.	3 10¾
1827-	.	3 8
1842-43	.	2 10
1872-73	.	3 2
1891-92	.	3 7
1899-1900	.	4 11¾
1904-5	.	5 11¾
1910-11	.	6 4½

	Rateable Value.	Expenditure from Rates and Grants.
1813-15	£40,121,000	...
1842-43	62,540,000	£9,091,000
1872-73	112,392,000	19,718,000
1891-92	155,896,000	35,924,000
1910-11	217,180,000	86,317,000
1912-13	221,012,000	...

The Sound Principle of Local Taxation

The principle of local taxation which we have propounded as the sound one is that the cost of those services which are local and are directly connected with the occupation of property, and are beneficial to it, should be levied according to the value of the property; and that those services which are general and national in character should be levied according to ability to pay.

The maintenance, lighting, and cleaning of streets and footpaths, the removal and disposal of house refuse, the maintenance of a system of drainage, fire brigades and appliances, parks, pleasure grounds and open spaces, are services which are distinctly local, and should, as far as practicable, be charged for according to the benefit derived from them. There is no method by which this can be done with strict accuracy. They cannot be charged for in the same way as gas, electric light, and tram rides are; that is to say, according to the quantity used. Payment by a rate levied on the value of the premises occupied is a roughly equitable distribution of the cost. It is difficult to see how it could be satisfactorily improved upon. So far as it errs, it does so in charging those who occupy the best house and the most valuable business premises more than their share in proportion to the use they make of the services and the benefit they derive from them. So far as that is an error it is in the right direction.

There are certain definite classes of property, the value of which obviously does not at all represent the benefit which the owners or occupiers of it derive from the services in question as compared with the owners and occupiers of other property. For these special classes of property provision has already been made. Agricultural land, woodlands, nurseries, market gardens, etc., are only assessed at one-fourth of their value for the general district rate and for special and sanitary rates in rural districts. Such lands only pay one-

third of the lighting and public libraries rate and one-half of all other rates, except there be any for the cost of any drainage or embankment or other work for the benefit of the land. Tithes, railway lines, canals, and docks are assessed at one-fourth of their annual value for the general district rate and for special and sanitary expenses in rural districts.

Education, poor relief, asylums and hospitals, police and the administration of justice, and the maintenance of main roads are general public services which are of a national character, and contributions to defray the cost of them should, as far as practicable, be levied according to ability to pay. They are services which in principle cannot be distinguished from such admittedly national services as the army and the navy, the judges, factory, mining, workshop, and railway inspection, old-age pensions, and labour exchanges.

The Weak Point

It is the weak point in our system of local rating that the cost of general or national services, so far as it is borne locally, is a burden which falls on individuals unequally because rates do not bear an accurate relation to means possessed or ability to pay. This is the real and substantial ground of complaint against the rating system. Efforts have been made from time to time to diminish the grievance by relieving the ratepayer at the cost of the tax-payer through the instrumentality of grants in aid and the allocation of the proceeds of certain taxes to local authorities. The extent to which this has gone is shown by the fact that these aids have increased from £244,000 in 1842-43 to £20,915,000 in 1909-10. In the former period these aids were 3 per cent of the total cost; in the latter period they were 25 per cent of the total cost.

It is generally agreed that our national taxation falls upon all classes of persons far more equitably as between individual taxpayers, and far more nearly in proportion to ability to pay, than our local taxation does. In this respect so much of the cost of services administered locally as are national and general in character as is borne from the National Exchequer may be said to be distributed fairly equitably. The problem and the difficulty and complaint arise with regard to the large and growing portion which is met out of local rates.

The importance of having a considerable portion of the cost of these services raised locally, and raised at any rate in the first instance

from the local occupiers who elect the local spending and rating authorities, is very great. If we are to continue local administration of these services, we must have a considerable amount of local payment for them. That is vital and fundamental. Separation of the taxing authority from the spending authority would be fatal to all economy and efficient control.

The question, therefore, is—How can the constantly growing burden of local rates be relieved or equitably readjusted and still raise a sufficient proportion of the cost locally to ensure economical responsible, and satisfactory administration ?

Some Suggested Methods of Relief

Further aid from the National Exchequer is the remedy which has been resorted to in the past, and it is the one upon which the Royal Commission on Local Taxation fell back in their Report in 1901. There are two difficulties which at once present themselves. The first is the extent to which our National Expenditure has already grown and the prospect there is that it will grow still further, combined with the probability that when the present boom in trade slackens the revenue will display diminished elasticity. This will make any Chancellor of the Exchequer very unwilling to undertake extensive further responsibilities in the direction suggested.

The other difficulty arises from the fact that any relief of existing rates that is given in this way must in the long run be largely, if not indeed entirely, a gift to the land-owners. It would not be a permanent gain to the occupiers. Where they hold leases they would reap the benefit so long as their present tenure ran. Tenants on short agreements would also be relieved for a time, as rents would not be altered immediately and universally. But ultimately the advantage would go to the land-owner in the form of a higher rent than he would otherwise have got. That is not quite what is aimed at and desired. Whether land-owners ought or ought not to have had placed upon them the burdens of rates which now so largely fall on them need not now be discussed. The burden that would be diminished by further grants from the Exchequer is on them now. Many of them have acquired, and all of them hold their property subject to, it. There is no sound and sufficient reason why it should be taken off them now.

All the same it should be recognised that this increase has been very great. We have seen that during the last forty years local rates have on the average doubled. In 1872-73 they were 3s. 2d. in the

£, and in 1910-11 they were 6s. 4½d. The total expenditure from rates in England and Wales has in that period increased from £18,572,000 to £65,152,000. No wonder there is an outcry. Those occupiers who pay the rate in the first instance—we have seen that in a large proportion of tenancies the landlords pay the rates direct, and the rent paid by the occupier includes the rates—have made the most noise. But in the long run the increased burden is not chiefly theirs. At first it falls entirely on them, and then as their leases and agreements run out much of it reverts to the landlord and then to the land-owner. The fact that there has been this great increase in the amount of the rates which falls on the land-owners should be borne in mind when it is suggested that further special levies should be made upon them.

Another suggestion is that personal property not now rated—such as stock-in-trade, machinery and plant of all kinds, agricultural stock and implements, household furniture and pictures, motor-cars and carriages—should be brought into the assessment.

It is urged that this would be to revert to the original intention and practice: that it would widen the area of the levy very considerably, and make the contributions more general and equitable. The idea is one which has always had a great attraction for fiscal authorities. Most civilised communities have tried it at one time or another. We tried it for several centuries in this country. Everywhere the experience has been the same as ours was. Invariably personal property gradually slips out of the assessment, and, until it has all got out, the inequalities and injustices which arise in connection with so much of it as continues to be assessed speedily become so great and anomalous as to be intolerable and indefensible. The experience of the civilised world condemns the proposal and forbids any attempt to try it.

Differential Rating

It has been suggested that the application of the principle of differentiation in taxing and rating property, of which we have examples in the varying rates at which the house duty is levied and in the lower local rates which are levied on agricultural land, railway lines, canals, etc., might be extended. The rate in the £ on residences might vary according to the annual value: that is to say, if the rate were 5s. in the £ on houses under £20 a year, it might be 6s. on houses from £20 to £60 a year, and 7s. on houses above £60 a year. Then the rates on non-residential property might be levied on, say, two-

thirds its full value, and on agricultural land at one-half its value.

Theoretically this may be attractive, but in practical working it would create difficulties. In some areas where highly rented residences are few, little help would be obtained, and in such of those areas as have large works and business premises in them, as many industrial districts have, the relief of the works, offices, etc., would be obtained at the cost of an increase in the rates on the working-class houses.

Agricultural land is largely relieved now, and it is difficult to justify all the differentiation that has been made in its favour. The rates which represent beneficial services, such as street maintenance, cleaning and lighting, sewerage, removal and disposal of house refuse, fire brigades, and parks and open spaces, are either non-existent or are very small in amount in rural areas. In urban areas they are considerable items, but the land there, even for agricultural and gardening purposes, is also more valuable. Where these services are a source of considerable expense they are of much less value to agricultural land than to residential and business premises; but the present system of levying them on one-fourth the annual value of all agricultural land seems very generous to owners of land in urban districts where it increases in value owing to the development of the community which is facilitated by the provision of the services in question.

With regard to the rates for services which are general and national in character, the method of relief adopted under the Agricultural Rates Act, 1896, is very unsatisfactory. If such relief is to be continued, the method of giving it should be revised. One of the several results of the present relief of the rates on agricultural land is not only to increase the total rates elsewhere, but also to cause a larger portion of the onerous rates everywhere to become "constant" rates, and therefore to fall upon all occupiers of houses and other buildings.

CHAPTER III

THE INCIDENCE OF RATES AND SOME SUGGESTED RATING CHANGES

It may be useful, at this juncture, if I recapitulate the conclusions at which we arrived as to the incidence of rates, and apply those conclusions to the figures as to rates for England and Wales for 1909-10.

The view reached was that such onerous rates as are payable on premises on land of no more than ordinary agricultural value in low-rated rural districts, in so far as those rates exceed the rates that would be levied on the land if it were unbuilt on, fall upon the occupier ; and those are the rates which he cannot escape, go where he may in the United Kingdom. The onerous rates in low-rated rural districts in England and Wales are about 3s. in the £. As the rates that would be levied on a piece of agricultural land that would be the site of an ordinary house would be very small in amount, they may be ignored, and it may be assumed that the onerous rates which must be paid on a house anywhere are about 3s. in the £. It has already been explained that this is 3s. in the £ on the cost of the building and the value of the site in that country district, and that this cost and value are very different from the actual cost and value of the site and building in a populous centre. Consequently, the "onerous" rates which are "constant" and are payable by the occupier are not 3s. in the £ on the value of the property where it is. They are much less : how much less can only be ascertained in each particular case and cannot be stated in a general figure.

"Beneficial" rates—rates which provide services which are of corresponding value to the ratepayers—in so far as they are not differential, are, and should be, and always must be—do what you will—paid by the occupier. They are not a burden, they are payment for value received.

All other rates levied in respect of the property are differential, and ultimately they fall on the land-owner.

Local Expenditure and Receipts Analysed

We may now proceed to look at the expenditure of Local Authorities in the light of these conclusions. The total expenditure of those Authorities in England and Wales in 1910-11 was £129,400,000. This represented roughly :

	£	
Onerous expenditure for National purposes	70	millions.
Beneficial expenditure for local purposes	24½	„
Expenditure on undertakings which were remunerative—such as gas, water, and electricity works, harbours, tramways, etc.	35	„
Excess of receipts over expenditure	1½	„
	<hr/>	
	131	„
As the receipts from the remunerative undertakings, etc., were	45	„
The sum which had to be otherwise provided was	86	„
Towards this the Government grants gave	21	„
Leaving to be provided out of local rates	65	„
As the beneficial rates to meet beneficial expenditure were	24½	„
The amount of the onerous rates to meet expenditure on National services was	40½	„

The beneficial rates fall partly on the occupier and partly on the land-owner. They fall on the land-owner in so far as they are differential, and as they are very largely, if not indeed entirely, differential, they nearly all fall on him. On the other hand, they correspondingly add to, or maintain, the value of his property. The value of the property includes the value of the services which attach to occupation of it. While, therefore, it is true that if those rates were abolished, and the amount were provided in some other way, the land-owner would gain by a corresponding increase in the value of his land, it is also true that if the services were not provided there would be a corresponding reduction in the value of the land. The position is that on whomsoever the incidence of the beneficial rates is, he receives the benefit of services of corresponding value. They are, therefore, not a burden either to the occupier or the land-owner, and may be dismissed.

The interesting and important point is the incidence of the forty and a half millions of onerous rates which remained to be raised locally after the Government contribution of twenty-one millions had been deducted from the local expenditure on onerous national

services. The portion of this outlay which was paid by, and remained a charge on, the occupiers was in each case the "constant" rate—that is, the amount that would have had to be paid on similar premises built on cheap land in a low-rated rural district. I estimate that it would average about one-fourth of the whole of the rates which are levied on houses and other buildings. The proportions would, however, vary much in different localities. Where rates are low the "constant" rate will be a larger proportion of the total rates than where rates are high. So where land values and building costs are high the proportion of the constant rates will be much less than where land and building are comparatively cheap. In other words, the nearer we approach to the conditions of the rural district with cheap land and low rates, the larger is the proportion of the rates that falls upon the occupier. The nearer we approach the conditions of the most valuable areas in the business and banking centres of great cities, the smaller is the proportion of the total rates that falls upon the occupier, and the larger the proportion that falls upon the land-owner. This does not mean that an occupier bears a less *amount* of the rates in a very valuable area than he would if he occupied a similar building in an area where land was cheap. According to my view the occupier would bear about the same *amount* of rates in both cases, but the *proportion* which the amount he bore would be of the total amount of the rates on the premises would be less in the more valuable position, because the total amount of the rates payable there would be much larger.

Some Suggestions considered

The next point of interest is, What would be the effect of the adoption of some of the policies which are suggested? When we have determined that we may consider which, if any, of them might equitably and wisely be adopted.

Increased grants from the National Exchequer, either in the form of direct money payments or of allocated special or general taxes, would permanently relieve the occupier in so far, and only in so far, as they reduced the onerous rates on premises in low-rated rural districts. At most they would accomplish very little in that direction, and the effect would be produced very gradually and be a long time in making itself felt. So much would this be so that it would be overshadowed by and lost sight of amid other changes and movements, and not one person in ten thousand would know anything about it.

In so far as such further assistance from the National Exchequer reduced or kept down the rates—other than “constant” rates—in heavily rated areas and where land is valuable, the benefit of the reduction would ultimately go entirely to the land-owner. For a time occupiers, particularly those who had leases and long agreements, would benefit, but eventually that advantage would be absorbed in the rent.

Dividing the rates between the owner and the occupier, by either levying part of them directly on the owner or empowering the tenant to deduct part of them from his rent, would not make any difference in their ultimate incidence, if existing contracts were respected. If contracts were violated tenants who have covenanted to pay all rates and taxes, except income tax, would gain temporarily, but when their leases and agreements ran out they would lose that temporary and unjust advantage.

Levying all the rates on site values, and respecting existing contracts, would make no difference to the occupier as regards beneficial rates; they would add to or maintain the value of the property as they do now. If the rates were levied on all land values—that is, on all agricultural and other land as well as on building land—the rates which I have termed “constant” would disappear, and occupiers would be relieved to that extent. So far as the other onerous rates go, the incidence of them is on the land-owner already.

As has already been explained, the principal difference that levying all or a substantial portion of the existing rates upon land values would make, would be not, except in the matter of “constant rates,” to place an additional burden on land-owners as a class, but to re-allocate the existing burden amongst individual land-owners on a new basis. Where the land value is a large proportion of the total value of the property, the burden on the land-owner would be increased; where the land value is a small proportion of the total value, the burden would be diminished; where the land value is an average proportion of the total value, the burden would be unchanged.

Transfer of Burdens

Bearing in mind the important consideration that, unless expenditure be curtailed, which is not at all probable, rates can only be reduced by levying additional charges upon some one else, the question arises, Is it desirable that all or some portion of the burden of the present rates should be transferred to other shoulders, and if so to whose shoulders, and would it be equitable to do it?

We have seen that the beneficial rates, which in England and Wales were about $24\frac{1}{2}$ millions in 1910-11, cannot be shifted. They must be paid either as rates or rent. Any relief of them would be a gift to the land-owner. There is no reason why they should be relieved. They represent necessary and desirable services: value is received for them by those who pay them. There is no more reason why the general public or any limited class should be made to pay in order to relieve those who now pay them, than there is that the public should pay the tailor's, draper's, or butcher's bills of householders or land-owners in general.

The amount raised for local onerous expenditure of a national character was $71\frac{1}{2}$ millions (70 millions expended, and $1\frac{1}{2}$ million surplus carried forward). Of this 21 millions were obtained from Government grants and allotted taxes, and 10 millions from profits on undertakings, rents of property, and interest on investments. This left $40\frac{1}{2}$ millions to be raised by rates. I have expressed the opinion that the "constant" onerous rates which fall on the occupiers of buildings are, taking them as a whole, about equal to one-fourth of the total rates. The position with regard to the incidence of rates on agricultural land is different. Allowing for that, I estimate that of the $40\frac{1}{2}$ millions of onerous rates 15 millions would fall upon the occupier as "constant" rates, and some $25\frac{1}{2}$ millions upon the land-owners.

What is the case for relief here? The great complaint is the enormous increase which has taken place in recent years in that part of the cost of the national services which is thrown on local rates. Omitting loans and loan charges, and they are heavy items and have grown rapidly, the expenditure from local sources—that is, omitting grants from the National Exchequer—on Education, Poor Relief, Main Roads, and Police increased from £12,382,322 in 1889-90 to £28,259,743 in 1908-9. An increase of 16 millions a year, or nearly 130 per cent in four items in twenty years, is undoubtedly startling. It is little wonder that the average local rate increased from 3s. 7d. in the £ in 1891-92 to 6s. $4\frac{1}{2}$ d. in 1910-11, and that there is a cry for relief.

In view of the fact that during the same period National taxation doubled, and the annual grants from the National Exchequer in aid of local rates increased from 7 to 21 millions, it seems as though the general tax-payer has equal ground for complaint, and has substantial justification for objecting to further heavy demands being made for assistance from him.

So far as the 15 millions of these onerous rates which I estimate fall on occupiers are concerned, can it be said that taken as a whole it is an inequitable contribution? It practically falls on everybody. Almost every one outside our gaols, workhouses, and asylums occupies rateable premises, and directly or indirectly pays rates. Roughly, though by no means accurately, rateable value bears some relation to means and ability to pay. These rates fall more heavily in proportion to means upon those whose incomes are small than upon those whose incomes are large. On the other hand, small houses escape the inhabited house duty and people of small means do not pay income tax, while the costly services of education and poor relief, including asylums, are far more for the benefit of their class than for the well-to-do. The rate of income tax in the £ which the rich pay is also enormously greater than the rate paid by the smaller grades of income-tax incomes. A rich man pays something ranging from 1s. 2d. to 1s. 8d. in the £, while a man who earns an income of £260 a year pays less than 3½d. in the £, and one who earns £500 a year pays less than 6½d. in the £.

With regard to the 25½ millions that I estimate fall on the land-owner, it must be remembered that the total burden that might have fallen upon him is 55½ millions—70½ millions, the total of the onerous charges, less 15 millions which as “constant” rates fall on the occupiers. Nearly the whole of the Government grants and of the profits, rents, and interest received by the local authorities go to relieve him, and help to reduce his burden to 25½ millions. On the whole, therefore, regarding the class of land-owners as a whole, they have, it seems to me, little ground of complaint in this respect.

Two Grievances

One substantial grievance under the present arrangement is that, although the burdens which fall on the occupiers and the land-owners respectively as a whole may not be inequitable, the allocation to individuals in those two groups is unsatisfactory. As the local cost is levied locally, the result is that the burden of that cost falls most heavily where the expenditure is greatest. That means that where there are the most poor, and where the attendance at the public schools is largest in proportion to the population, the rates required to cover the cost of the poor law and of education are the highest. On the other hand, those are precisely the districts where the houses are the smallest and the working and poorer classes are most numerous, and consequently, where the rateable value

is low. Those two conditions—heavy expenditure and low rateable value—necessitate high rates. The result is that the cost of these services falls much more heavily upon these districts in proportion to the value of the property than it does upon well-to-do localities. As the burden of these services is admittedly one which should be as far as practicable a general and national one, it is desirable that it should be distributed over the whole country more proportionately to the value of the property on which it falls than is now the case.

Another point is that the portion of the onerous rates that is a burden on the land-owners falls upon them in individual cases, not only according to the expenditure on onerous services in the locality, which is unfair as between owners in different localities, but also, not according to the value of their land, but according to the value of the whole property, land and buildings combined, which means that the rates which fall upon the land are, in proportion to its value, much higher in districts where the site value is a small proportion of the total value of the property than they are where the site value is a large proportion of the total value. As those districts in which the working classes and poorer people live are frequently those in which the proportion of site value to the total value of the property is smaller than in wealthier districts, both the conditions to which we have referred combine there to make the burden on the land-owner in those areas proportionately much heavier than it is on his fellow-owner in more favourably placed localities. This inequality might be rectified with advantage.

Some Practicable and Desirable Reforms

We may now proceed to consider what changes in our system of local taxation and of meeting expenditure which is locally administered are practicable, equitable, and desirable.

The assessment of property for rating purposes should be made uniform in basis throughout the country, and should be conducted equitably and fairly. At present it possesses none of these qualities. Assessments are not uniform. The practice in different localities varies widely. In some areas the assessments are intentionally low; and the scale of deductions made to arrive at rateable value is by no means always the same. In this way injustice is often done to other areas where the assessments are on a higher basis, and a correct judgment as to the necessities of a district based on the amount of its rates in the £ is rendered difficult.

The assessment of individual properties is also often very in-

equitable. It should be the duty of the assessment authorities to arrive at and maintain a just assessment, and to be equally vigilant in protecting a ratepayer against a too high assessment and in protecting the public by preventing a too low one. This is seldom done. It is not unusual to find houses precisely alike in the same street assessed at annual values which vary to the extent of 20, 30, and even 40 per cent. All the houses are of the same value, and should be assessed at the same amount. The ratepayers frequently do not know that their neighbours are assessed at much less than they are. The difficulty of securing a revision of an assessment is considerable to the uninitiated. All the weight of official influence, technicality, and red tape is thrown against those who attempt it. The result is that assessments which are known to be unjust are maintained, and ratepayers are defrauded. Officials are the servants of the public, and they should regard it as their duty to remedy obvious anomalies and injustices in assessments without waiting for the ratepayer to discover them and appeal against them.

The allowance made for repairs should be calculated on the value of the building only, and not, as at present, on the value of the site and building together. The present system gives an excessive allowance in cases where the site value is a large proportion of the total value.

Property, the annual rental value of which does not fairly represent its capital value, should be assessed at an amount equal to a specified percentage on its capital value. Then the present undeveloped land duty should be abolished.

Charges should be classified and a National Fund established

Expenditure and Rates should be separated into two divisions representing Local and Beneficial and National and Onerous services.

Rates to meet the cost of local and beneficial services should be levied on all occupied land and buildings as at present.

Towards the expenditure of the localities on national and onerous services the National Exchequer should contribute as it does now, but the method of arriving at the amount of the total contribution and of distributing it amongst the various local authorities should be completely revised.

A National Local Taxation Fund should be formed, and into it should be paid an amount similar to that which would be paid to Local Authorities under the present arrangements.

To that fund should be added the present Licence Duties, the Inhabited House Duty, and all the receipts from the new Increment Value and Reversion Duties.

From that fund contributions should be made towards local expenditure on National Services. The distribution should be so arranged that the cost of Education and the Poor Law would be more evenly distributed than it is now, and would press less heavily on the less well-to-do localities.

In the case of every service towards the cost of which a contribution was made from this fund, the amount contributed in respect of each service should be specified, and the making of the contribution to each local authority should be made dependent on a certain standard of efficiency in the service being maintained.

A Limited Rate on Land Values

There is one further suggestion which should be considered. It is that a limited rate should be levied on land values. As has already been explained, such a rate would make little difference to land-owners as a body. In so far as it reduced the "constant" onerous rates that fall on occupiers it would increase the rates which fall on land: but the effect on those "constant" rates in that way would be very small and may be ignored. The real difference which such a rate would make, as has also already been explained, would be that it would redistribute the burden as between individual land-owners and different districts. Such a redistribution is desirable, and would be equitable if it were made on a moderate scale and in conjunction with the other changes here suggested.

The value of the land assessed should be the capital value of the cleared site where it is used for purposes other than agriculture, market gardens or nurseries, or is moor, mountain, or waste. In the latter cases a deduction from the capital value of the land cleared of buildings might be made to the extent, say, of half the capital value, up to a value of £25 an acre. That is to say, all agricultural land might be assessed for this tax at half its value up to £25 an acre, and where the value exceeded that amount it might be reduced by £12 : 10s. an acre.

If the rate were limited by statute to one penny in the £ on the capital value, which would be equivalent to a rate of 2s. 1d. in the £ on an annual value calculated at 4 per cent on the capital value, and a rate of that amount were levied, it might produce a yield of from £10,000,000 to £12,000,000 a year for England and Wales.

It should be collected locally from the occupier, except, of course, where the rent includes the rates; and, in the case of all new tenancies and new contracts entered into after the passing of the Act, it should be deducted from the rent.

It would not be a new burden on land-owners as a class. It would be an old burden readjusted and reassessed. In the total it would correspondingly reduce existing rates, but on properties where the land value is high the total amount of rates would be increased by this rearrangement, on properties where the land value is low the rates would be reduced, and on intermediate properties they would not be altered.

A sound reason for levying such a rate as is here suggested is that the charge would then fall more directly, immediately, and obviously upon the class of persons upon whom it really does fall now. The popular view is that no charge falls on site-owners now, and that some charge ought to fall on them. This view is a mistaken one, and it would be an advantage to correct it by bringing the obvious payment more into harmony with the actual incidence of the rate. The popular misconception is mischievous, and it is desirable that it should be dispelled.

A limited rate of the kind now proposed, and under circumstances somewhat similar to those now suggested, was recommended by the Minority Report of the Royal Commission on Local Taxation, 1901, which was signed by Lord Balfour of Burleigh (the chairman), Mr. J. B. Balfour, M.P. (afterwards Lord Kinross), Sir Edward Hamilton, Sir George Murray, and Mr. James Stuart, M.P. One difficulty which existed then—that of the cost and trouble of making a separate valuation of all the land of the country, and especially of all the built-on sites—has been largely removed. Such a valuation is being made for the purposes of the increment and other duties, and all that would be necessary would be to keep it up to date by periodical revisions.

Rates to meet the balance of expenditure required to be raised locally for general or onerous services, after the grants from the National Fund and the proceeds of the land values rate had been received, should be levied on all land, buildings, and premises of all kinds on the basis of their annual value as now, except that where that annual value was less than, say, 3 or $3\frac{1}{2}$ per cent on the capital value, the rateable value should be taken to be such an amount as would represent 3 or $3\frac{1}{2}$ per cent on the capital value.

Effect of the Suggested Changes

The net result of the changes here suggested would be to increase the total contribution from the National Exchequer by about 2½ millions a year now, with the prospect of a further steady increase in the future. The additional amount received in rates from property, the assessment of which would be increased by basing it on capital value where the rental value does not fairly represent the capital value, would be substantial. These additions to the receipts would reduce the average amount of the rate in the £.

The revised method of distributing the Government grants and allotted taxes would give relief to districts where the cost of education and the poor law is high in proportion to rateable value.

The more equitable rating of agricultural land would reduce the rates on houses in agricultural districts, and by so doing also tend to reduce the amount of the "constant" onerous rates borne by the occupiers of houses and buildings everywhere.

The rating of land values as proposed would reduce the other rates in all rating areas, and especially relieve small and suburban and outlying properties.

Altogether the result would be to reduce the additional amount of rates that would become payable when houses or other buildings were erected or improved or extended; and to reduce the total amount of rates payable in respect of the less valuable property, and on the houses built in the outer zones of towns and large cities.

Under ordinary conditions, it would be difficult to effect such a readjustment without inflicting hardship and injustice on some classes of owners and occupiers. But in connection with the other changes which have been here suggested, and in view of the further contribution from the receipts from transferred taxes, the reappportionment of the burdens could be made without seriously affecting any one adversely.

The changes here outlined would not be revolutionary, but they would be substantial reforms. They would remove some obvious anomalies and grievances. They would inflict injustice upon no one. Nor would they offend against any of the principles of equity, expediency, and sound economics which have been shown to be the foundations of a stable social structure, and of all real and lasting progress.

PART XI
AGRICULTURAL WAGES
AND
PROBLEMS OF TENURE AND HOUSING
IN TOWN AND COUNTRY

“Thou shalt not muzzle the ox when he treadeth out the corn.”—*Deuteronomy* xxv. 4.

“While the wages of agricultural labourers are not high enough to allow them to pay a commercial rent for adequate accommodation, no satisfactory solution of the housing problem is possible.”

“We believe the policy of subsidies for housing to be unsound and indefensible.”
—*The Land Enquiry Committee, 1913.*

“A cottager who cannot afford to pay 2s. a week for a cottage only can well afford to pay 3s. 6d. or 4s., or even more, for the same cottage with an acre of land attached. . . . Although a cottage without land cannot, under present conditions, be built to pay, a cottage with land can.”—REV. C. W. STUBBS.

It is stated that something like half the agricultural land of England is rented at 20 to 25 per cent below its economic value.

“The turning aside of capital from the cultivation of the land to its purchase is one of the chief vices of our French rural economy.”—DE LAVERQUE.

“Of all broken reeds Sentimentality is the most broken reed on which righteousness can lean.”—THEODORE ROOSEVELT.

“Political upheavals only slightly affect the intrinsic life of nations, while the failure of a social experiment may bring a people face to face with the question of bare existence.”—PROFESSOR ANTON MENGER.

CHAPTER I

PROBLEMS OF LAND TENURE IN AGRICULTURAL DISTRICTS

ANYTHING like a full and detailed discussion of such important matters as allotments and small holdings, security of tenure, and the wages and housing of agricultural labourers, still more the propounding and elaboration of a complete scheme of land and housing reform, would be beyond the scope of this volume, and would, indeed, require a book to itself. Some reference to a few practical points, and the teaching of experience with regard to them, and to some of the proposals which are attracting much attention at the present time, will not, however, be out of place.

There is general agreement that all is not well in rural areas with regard to such matters as the wages and housing of agricultural labourers, the provision of allotments and small holdings, and the conditions under which possession of or access to land can be obtained. In the following pages some suggestions are made which would not conflict with the principles of equity and sound economics which it has been the main purpose of the preceding pages to illustrate, justify, and enforce.

The Tying-up of Land

It has long been a ground of complaint that land in this country has been largely locked up, and has rarely come into the market in lots and under conditions which made it really available for purchase by farmers large and small, or for letting to peasant holders ; and it has been held that this was mainly due to the fact that our laws encourage the keeping together of large estates and the passing of them intact from generation to generation. While it is true that recently, owing chiefly to the fact that it has been saleable at better prices than had been obtainable for many years, very considerable

quantities of land have been placed on the market and sold, the gravamen referred to remains and requires attention.

The law should not do anything to encourage the retention of large quantities of land in the hands of single persons or families. Every facility that can be given should be afforded for dealing with settled estates. Much has been done in that direction already, and more should be done. The creation of charges upon real property for the lifetime of other persons than the owner should be discouraged by making them expensive. It is well known that the creation of interests of this kind in connection with large businesses has often proved extremely detrimental and sometimes fatal to the successful management and continuance of the concern. They seriously interfere with the business-like dealing with real property.

The example set by the law whereby the real estate of intestates descends to the eldest son should be abolished. Real estate should be divided in such cases as personal estate is.

The payment of death duties should be the same in every way with regard to real estate as to personal. No more time should be given for payment in one case than in the other. It would be far better for the community that part of the estate should be sold or distributed as personal property usually is than that the whole of it should be held by one individual, subject to charges and payments which cripple him financially for life or for many years, keep the whole estate in a very complicated position and at great cost in the hands of lawyers, and prevent it from being dealt with as freely and as easily as the interests of the community require it should be. The sale and transfer of land and houses and all transactions in connection with them should be made as simple and as inexpensive as possible. Hitherto the attempts to introduce registration of title in this country have not been a success. Thus far they have only increased delay, complication, and cost. Everything that can be done to simplify titles should be done. Levies by the Government in the form of stamp duties on deeds in connection with the sale, mortgage, leasing, and letting of property should be abolished or be reduced to nominal amounts. They are taxes on trade: taxes on the trade in property. They check and hamper and often prevent transactions which should be encouraged.

An Undesirable System

The hampering effect of settlements and charges in connection with estates is very far-reaching. They make the disposal of any

portion of the estate extremely cumbersome and costly. The consent of a number of persons has often to be obtained. That involves much cost and delay. The conditions as to the reinvestment of the money and the return which must be obtained on it often render a sale at a reasonable price quite impossible. Stewards, lawyers, architects, and surveyors are a strong garrison of vested interests who are really parasites on the property begotten of the conditions. The owner is largely in their hands. He can seldom or never do as he likes with the property, and much that is charged against him is really the action of his stewards and professional advisers, who in their turn are tied up by the conditions of the settlement and trusts and the law with regard thereto. The whole system is a network of complication, difficulty, and ineptitude so far as the community is concerned. It was devised, has grown up, and is maintained in order to keep estates together, nominally in the hands of the head of the family for the time being, although he is really little more than a receiver of the surplus rents which remain after endless charges have been met. The object for which the system exists is an undesirable one. It is good for no one except the parasites who live upon it and do so much to maintain and perpetuate it; and it is distinctly opposed to the public interest. Hitherto legislation has encouraged and facilitated it. It does so less than it did. All encouragement of the system should cease; and, so far as it can be done equitably, discouragement should be aimed at.

While this is so, it is also desirable that we should keep closely in touch with the facts of the matter in order to be on our guard against exaggeration and misconception. When figures are quoted to show the large amount of land held by a few individuals it should also be remembered that the estates of the largest area are by no means the most valuable. In the *New Domesday Book*, which was compiled by the Government nearly forty years ago, the rental of the whole of the land in Scotland belonging to the Duke of Sutherland, the largest landholder in the United Kingdom, worked out at an average of 12½d. an acre. The rental of the largest owner in Ireland averaged the same figure. Several hundred thousand acres of the land of the Duke of Sutherland only yielded him a rental of 8d. an acre last year. There are several single acres of land in the City of London which are more valuable and yield a larger income than the whole of the 1,326,000 acres which the Duke of Sutherland owned in Scotland. The truth, of course, is that there is a very large amount of land in Scotland and Ireland and to a smaller extent

in England which is mountain or waste of extremely little value. There are hundreds of thousands of acres for which twenty shillings an acre would be a very full price to pay ; and there is little doubt that any one who wished to buy it in quantities could have it at that figure or less. The 420 estates in the United Kingdom which exceeded 20,000 acres each had an average rental of only 7s. 5d. an acre. For the most part it is those who are small owners of land in the matter of area who are the owners of the greater part of the valuable land of the country. It is stated that the rental value of the land belonging to owners of less than one acre each is as great as the rental value of all the land belonging to owners who have more than 1000 acres each. There are many single buildings in the City of London, the site alone of which is worth as much as 100,000 acres of land on some of the large estates in Scotland and Ireland. The value of land in London is very great, but the area owned by any one person is not large. There are 116 square miles in London. No individual owns one square mile. Only one individual, the Duke of Westminster, owns more than half a square mile. The land on which London stands is owned by some 38,200 persons. The number of persons who own one house only is 14,000 : 700 persons or bodies own five acres or more each. There is, therefore, a very considerable amount of small individual ownership. It would be a great advantage in every way if it were much increased and extended.

The Rural Exodus

What is frequently referred to as the depopulation of our rural districts represents a marked movement of our modern life, and suggests a problem which several countries besides ourselves are considering. The movement is a natural and largely an inevitable one. The opening up of vast areas of fertile, virgin soil in new countries where land can be had for nothing or at a very low price, combined with modern facilities for cheap and rapid transit which render it possible to market the produce in almost any part of the world under favourable conditions, has necessarily very materially affected the position of agriculture in those old countries which, on the one hand, are receiving the benefit and on the other are feeling the competition of these new and fruitful sources of supply.¹ The invention and widespread use of agricultural machinery has also tended to reduce the amount of labour required to cultivate a given

¹ Our imports of foodstuffs increased in value from an annual average of £46,000,000 in 1866-72 to £147,000,000 in 1905-11.

area of land. Increased facilities of communication and the spread of education and newspapers and books have rendered it much easier for people to move away to other districts and other countries than was the case a hundred years ago.

When all the poetry and sentiment that can be imported into descriptions of rural life have been made the most of, the fact remains that the great majority of those who are engaged in it find that it involves almost ceaseless toil, under conditions which are often dreary and dull, for a very small return, with but poor prospects of rising in the world. When all that can usefully be suggested has been said and done in the direction of reforming the laws and improving the conditions under which the cultivation of the soil is carried on, many of the problems and difficulties which we are now considering will still confront us. It is easy for superficial observers and thinkers to blame this person and this class and that law and to suggest remedies, and the less practical knowledge they have of what they talk about the more ready they are to produce "pills for earthquakes." There are fundamental problems and facts which they largely ignore. In countries where the conditions which they desire to establish prevail, problems similar to those with which we are faced are still found.

The Experience of other Countries

France, Belgium, Italy, and Switzerland have widespread systems of peasant holdings. The life is excessively hard. The people toil incessantly and deny themselves almost the necessaries of life. Women and children work in the fields almost like slaves, and manifest in their appearance every evidence of the hardness of their lot. The great majority of our working people would regard condemnation to live the life of most Continental peasants as little better than a sentence of penal servitude.

Belgium is essentially a country of small holdings. The land is more subdivided than in any other European country. The law practically compels the equal division of all property among the legal heirs. Entail is forbidden and settlements are very strictly limited. They have an excellent and wide-spread system of cheap transit throughout the country. Nevertheless the price of land is higher than it is here ; it is about double for soil not so fertile as ours. Land hunger is greater there than here. The average wage for agricultural labourers (men) is 1s. 7d. a day. The work is exceedingly hard and the hours are very long. A much larger proportion of

women work on the land. The wages of artisans in the ordinary industrial trades are from 50 to 100 per cent higher here than there, and our hours are shorter. Notwithstanding the fact that the cheap transit takes a much larger proportion of the working people to live outside the towns, housing conditions and overcrowding are much the same there as here. A smaller proportion of the population is adequately fed than is the case with us. Mr. Seeböhm Rowntree, in his interesting and valuable book on *Land and Labour, Lessons from Belgium*, says: "Belgium has been much more successful than England in preventing the rush to the towns." Except in so far as her cheap transit system enables workers in the towns to live in the country much more generally than is the case here, I doubt the soundness of his conclusion. Belgians do not go into the towns so freely as Englishmen do because the attractions are not so great. Wages in industrial centres are far lower, and the hours and conditions of work are much less satisfactory in Belgium than here. If Belgian towns offered the same opportunities to the families of Belgian agriculturists that English towns do to country people, the rush from the terrible drudgery and miserable pay of Belgian agricultural life would be quite as great as it is here.

French small owners suffered as much from agricultural depression between 1879 and 1900 as English tenant farmers did. Their land is frequently mortgaged, and they pay rent in the name of interest. Foreclosures and compulsory sales take place at the average rate of about 6000 a year. Mr. Orr tells us that in 1878, before the serious fall in price took place, the number was 6370. This rose steadily until 1887, when it was 13,320, an increase of 110 per cent. Besides these compulsory sales, there were voluntary sales made in court after foreclosure. Until 1880 the average of these had been 775. In 1889 it rose to 2778. In addition to these were voluntary sales on the eve of foreclosure, a still larger number. Between 1882 and 1900 the number of proprietors in France was reduced by 410,000, and the number of assessed lots by 717,811.¹

In the United States of America, agricultural land is plentiful and cheap. The great majority of the occupying cultivators of the soil are also the owners. They have security of tenure. There is no overshadowing large-landed proprietor. There is no trouble about game laws, harsh eviction, compensation, and the like. Access to the land is easy; there is no difficulty about obtaining a holding. An enormous and up to now protected market for their produce

¹ *Taxation of Land Values*, p. 77.

lay within their own borders and a hungry world lay outside. What is their position? What are their problems and difficulties? Some of them are indicated in the following extracts from an instructive communication which appeared on June 21, 1913, in the *Financial and Commercial Chronicle* of New York—the leading financial and commercial paper in America :

All this talk about the higher cost of living hinges right down to one thing. There are not enough farmers and farm workers to produce the supplies needed for our growing population, and the comforts and necessities of life—food, clothing, shoes and so on—are getting higher in cost. No more serious problem, therefore, confronts the American. . . . And the solution of it lies with the farmer. If, then, we can find out what is the matter with the farmer and the farm life of to-day, we will go far toward finding a remedy for the high prices of the necessities of life. . . .

To put the matter plainly, the farmer is not doing what he set out to do. The farming class are not performing their part, namely that of tilling the soil and producing sufficient therefrom, that the rest of us, whose lives, perchance, are not cast in such pleasant places, may be clothed and fed. There is no other industry that can be recalled, from mining to making shoes, but has improved and perfected its processes and increased its output, especially in the wonderful years of progress since the beginning of the last quarter of the last century. . . .

The number of farms, the number of farm workers, and the volume of farm products has not been increasing at any such ratio as population.

That this is the case needs no detailed figures. A year ago we were importing potatoes from Ireland, Scotland, and Sweden.

The production of apples fell off from 69,000,000 barrels in 1896 to an average of 28,000,000 barrels in 1908 and 1909.

The same tale is heard in the supply of wool and the number of sheep. . . .

So one could go on with eggs, beef, potatoes, and many another food supply, at prices that make it a continual struggle for the moderate householder to make both ends meet. . . . Much of the abandoned and so-called worthless land in New England is as well adapted as any in Scotland for the successful raising of sheep, and, as is well known, sheep add fertility to soil.

In Central New York land is for sale at a tithe of former prices. The boys have left the farm to be near the amusements and excitements of the towns. Here is a source of much of the trouble that we are discussing, and it must be met at the outset. Farm life cannot be made pleasant or stripped of its loneliness if the workers are to spend their spare hours away from civilisation and social life. Under the new farming system the hands will live in centres of population, larger or smaller, but adequate for social needs.

They will leave their homes in the morning for the distant field in

automobiles, omnibuses, or other conveyances, returning again at nightfall to the town. It is useless to regret the old ideas, the simple life. It was never the idyll it was painted, and it never can compete again with city attractions. But we must be clothed and fed and some one must do the work.

This writer's view is that as the town worker tends to live in the country and travel backwards and forwards to his work, the rural worker will reverse the process and have his home in the town!

In Canada where land is to be had for occupying it, and the alleged causes of rural depopulation here—except the real ones—are absent, the trend is strongly to the towns. The urban population is increasing more rapidly than that in rural areas, the increases between 1901 and 1911 being 62.28 per cent, and 17.20 per cent respectively. Canada has now four cities over 100,000 population—Montreal (470,480), Toronto (376,538), Winnipeg (136,035), and Vancouver (100,401). Of these Vancouver did not exist in 1881, and Winnipeg at that date possessed 7985 inhabitants. Regina (30,213) and Edmonton (24,900) were not started in 1891.

The position in the United States is not new. Some little time ago it was reported that there were no fewer than 20,000 farms in New York State for sale. Most of them were unoccupied, and the prices asked were said by the *New York Tribune* to be sometimes much less than the worth of the buildings on them. So serious did the State consider this question of abandoned farms, with its economic and political ramifications, that the Department of Agriculture maintained a department of information regarding them, in connection with which the Department printed bulletins giving all details in regard to the farms and agricultural conditions in the different parts of the State.

There is no mystery about the desertion of the farms. According to the State Commissioner of Agriculture, the expansion of business in the last ten years had drawn the young men and women alike from the farms and semi-rural districts. Many deserted New York State and other States in the East, attracted by the advertisements of the railroad companies telling of the beauties and advantages of the Western States and Canada.

In Australia the official Year Book of the Commonwealth tells us that a marked feature is the tendency of the population to accumulate in the capital cities. The Census of 1911 showed that 38 per cent of the total population of the Commonwealth was

in the six capital cities, and 47 per cent was in towns with a population of 3000 and upwards. Yet in Australia unoccupied land is plentiful and is available on very easy conditions.

What is our Ideal?

An important point for consideration is what are we to aim at? Is the land to be cultivated mainly for the benefit of those who live on it in the agricultural districts or for the benefit of the population as a whole, the bulk of which is of course in urban areas? Is the ideal to be self-sufficing subsistence agriculture for the cultivator or the supply of food for the nation as a whole? Is a high financial return to the occupier and the owner of the soil the final criterion of successful agriculture and the highest statesmanship? How far are these aims compatible with each other, and, in so far as they are not compatible, which is to be preferred? I would suggest that the question is not necessarily which method of the tenure and ownership of land will yield the largest amount of produce or income. The comfort and welfare of the community as a whole should be the first consideration. That system of ownership and occupation which will enable the largest number of persons to live in reasonable comfort in the country as a whole is the one which legislation and public opinion should promote.

When the English land system and English land-owners are being discussed and criticised, we should remember that with all their faults they have produced that English farming which is largely regarded as a model by other nations, and they enabled the industry to tide over a period of depression which would have ruined it if it had been based on any other system.

Ownership v. Tenancy

There is much discussion as to the relative merits of ownership and tenancy in connection with agriculture. The magic of ownership is undoubtedly great, and many people will make great sacrifices in order to secure it. There is a sentimental as well as a financial value attached to it. Where a man can afford it, where he has capital enough, it is often a good thing for him to own his farm. If he has to obtain a mortgage on it in order to enable him to acquire or retain it, the advantage is apt to be doubtful. It is true that a man spends money and devotes labour more freely to improving and developing his own property than he does if it belongs to another. If he has a mortgage on it which he may reduce

from time to time he has a great inducement to save. On the other hand, if the mortgage be large, and his capital somewhat meagre, his farm is likely to be more or less starved, and in bad times he may find his position very difficult, and he may be compelled to sell or surrender his property at a great sacrifice. If he has no more capital than will enable him to stock and cultivate his farm thoroughly well and leave him a margin to fall back upon in bad times, he had better be a tenant and have all his capital available for his business—provided he can have something like permanency of tenure.

What the tenant really wants is security of tenure, and protection against having his rent raised on his own improvements. Given that, and the advantage which ownership has over tenancy is not very great; while tenancy leaves the occupier of limited capital with more free money to cultivate and develop his farming efficiently and thoroughly. Security is important, not only because it enables and encourages a man to put his most and his best into the farm by assuring him that he will receive the full benefit of so doing, but also because unless he has security he cannot be thoroughly independent and exercise and enforce the rights which the law gives him. Security for the tenant is also an advantage to the landlord when it induces the tenant to put his own money freely into the farm, and make it successful and profitable.

Fixity of Tenure and Fair Rents

In principle there is no substantial objection to setting up an authority to adjust rents: in practice there are difficulties to overcome. If nothing but the bare unimproved land were let: if the buildings and improvements had been made by the occupier, as was usually the case in Ireland, there would be little difficulty. But when, as here, the landlord has erected the buildings and made the improvements, and he also does the repairs and renewals, the position is different and more difficult. Much then depends on mutual respect, consideration, and good feeling. If a purely commercial relationship were introduced, the result would not be all gain to either party. Difficulties as to repairs, fair usage, reasonable requirements, and proper cultivation would be unavoidable. The tenant should be protected against needless and unfair eviction, and against having his rent arbitrarily and inequitably raised. On the other hand, if the landlord be deprived of his present remedy of getting rid of an unsatisfactory tenant, he must be protected

against undesirable use of his property and unreasonable demands for expenditure on it, and for reductions in rent by inefficient tenants. Indeed, if a landlord is compelled to keep a tenant whom he does not want, and to accept a rent which he considers inadequate, and is deprived of the ordinary means of protecting himself, those who compel him to submit to these conditions may reasonably be asked to undertake responsibility for them, and to guarantee him against loss resulting from them. In cases where a landlord is compelled to retain a tenant on what appear to him to be inadequate and undesirable conditions, on pain of paying heavy compensation, it would be quite fair that he should be entitled to require that the authority which compelled him to keep the tenant should fix a permanent rent for the property free of any responsibility for repairs and other outgoings, and should guarantee that rent as a perpetual charge upon the land. That would give the tenant a perpetual right of possession, absolute security, and the right to all improvements. The owner would get a certain income, a guaranteed rent charge, free from increment or depreciation. The tenant would be able to sell or otherwise dispose of his rights. This would avoid all dispute as to the value of his improvements; the market price would settle that. The guaranteeing authority—presumably the Government—would reserve to itself the right of resuming possession in case the occupier failed to fulfil the conditions of the arrangement.

Security is essential if any business, and especially agriculture, is to be carried on under conditions conducive to enterprise, efficiency, and success. It is difficult to see how security can be obtained unless there be some authority or tribunal to whom appeal can be made in case of failure of the parties to reach an agreement. But if risk of serious injustice is to be avoided, the authority or tribunal must be constituted of exceptionally competent, impartial, and confidence-begetting men with instructions that the object of its existence is to secure equity for both parties, and that it is not to be the protector of one only. The less such an authority has to be appealed to the better. The moment either party to the contract has to be coerced into accepting or conceding something which he considers to be inequitable, there is almost certain to be an end to the old relations which have so widely prevailed between landlords and tenants. The strict letter of the bond will be substituted for mutual consideration and give and take.

A great change would be brought about in many phases of the land question if authorities were set up and officials appointed whose business it would be to advise and assist when desired to do so in all cases of difficulty either as to acquiring land for building cottages or for allotments or small-holdings or for places of worship, schools, public halls, burial-grounds, etc., or as to terms of tenure. The cost should be borne by the Government, and there should be no expense to those who invoked their aid. There might be a staff of preliminary advisers and conciliators, who could readily be called in. They could advise and endeavour to arrange what was desired. Their experience would render their aid very useful to all parties, and settlements would be much facilitated by the knowledge that behind them was a higher authority before which the matter could be taken, and where there would be power to give decisions and make orders which would be compulsory and binding. I should attach great importance to the services of these authorities and officials being available without expense to those who desired them. Methods of compulsion are often valueless because the cost of making use of them is so great as to make the expense of acquiring what is required prohibitive. Cheap, easy, prompt, effective, and equitable exercise of impartial and authoritative influence and power is what is required.

Small Holdings

With regard to allotments and small holdings, there has long been widespread agreement as to the desirability of them. There is also little doubt that some land-owners and many farmers object to them, and have discouraged them, and placed obstacles in the way of providing them. Many efforts have been made to facilitate the provision of them. In 1819 an Act was passed empowering the Churchwardens and Overseers of any parish to purchase or take on lease any suitable portion of land and let it "to any poor and industrious inhabitant of the parish," to occupy and cultivate. Since then numerous Acts have been passed to promote the same object, and many Committees of Parliament and Royal Commissions have made recommendations in the same direction. Still the demand for such holdings much exceeds the supply.

Speaking broadly, it is in the public interest that small cultivators of the soil should be facilitated and encouraged. The multiplication of them with allotments and small holdings means increasing the produce of the soil, maintaining more people on it, and redeeming

the country-side from the stagnation and desolation, so far as population goes, which have too long characterised it. Experience has, however, shown that the problem which has to be grappled with is not a simple one. Neither all land nor all those who would undertake its cultivation are suitable for the purpose.

The Practical Side

Mr. James Long, in *The Practical Side of Small Holdings*, says :

The soil must be sufficiently good for its purpose ; thin chalk, sand, gravel, or brick earth must be left severely alone. Far better leave the land altogether and seek a new vocation than waste money, time, thews, and sinews on an impossible holding.

Land which needs draining but is undrained had better be avoided altogether.

It must not be too high. It must not be too much exposed.

Land which lies on a gentle slope facing South is much to be preferred.

Fruit-trees in particular should not be planted in low-lying soil.

It is important—nay, imperative—that there should be no possibility of failure from lack of moisture.

Thin land is useless, wet land is equally bad.

The prospects of success upon a small holding depend chiefly upon the occupier : although soil is essential, and although good seed, liberality in manuring, and climate all play a prominent part in the process of production, it is brains that tell in the end. Thus without knowledge and the power to apply it we cannot honestly say that a small holder has much prospect of success.

There are numbers of men who are thirsting for land ; they are anxious to rent or to buy it, to purchase implements and stock and set to work in good earnest, but they lack experience.

Farming is a difficult business, and it would be as reasonable to undertake it without experience as to start business as a watchmaker without the slightest knowledge of the trade.

All this means “ picking and choosing,” taking “ the pick of the basket ” everywhere and leaving some one else with the remainder. Clearly, if success is to be assured, specially selected land and competent and experienced men are required. Is it very surprising that there has not been any great anxiety on the part of land-owners to provide allotments and small holdings ? For the most part, choice pieces of land would have to be taken from other tenants, who would certainly object to having their best taken from them and their worst left. Cost would have to be incurred in creating and preparing the holdings. Then the risk of finding

suitable and successful tenants would have to be run. The opposition and complaint of their larger tenants would be incurred, and the trouble of managing the estate would be increased by having a score or two of tenants instead of one for a given area.

For similar reasons local authorities have been unwilling to exercise their powers; the trouble and risk involved have deterred them. The opposition of some of their largest rate-payers and most influential members has been too much for them. Some private individuals who, knowing nothing of land or agriculture, and imagining that they were qualified to teach those who know, have tried their hand at creating small holdings and have burnt their fingers by so doing.

Complaints are often made of the high prices charged for land for allotments, and there is evidence to show that some of these complaints are justified. At the same time it should be realised that land cannot be let as cheaply to holders of allotments as to large farmers. Costs, including those of management, are greater. The Royal Commission on Labour, 1894, put some considerations which are frequently overlooked :

It is a matter of general complaint by labourers that allotments are let at a much higher rate than the rent paid by farmers. Those who complain do not always take into consideration that situation, accessibility from a good road, proximity to a village, enormously enhance the value of land which is at all suitable for spade cultivation; that the farmer's rent is generally for a quantity of land varying in quality and much of it not advantageously situated; and that it is exclusive of rates, while the allotment rent usually includes all out-goings; and that letting in small plots, like selling goods by retail, justifies a somewhat higher charge.

The average price paid by County Councils for land for small holdings has been £33 an acre. On the face of it that does not seem to be excessive.

The Need for Experience and Sound Judgment

Too much importance must not be attached to the emigration figures, so far as agricultural labourers are concerned. To a considerable extent such emigration is natural and inevitable, and even desirable. Whatever the conditions in rural districts were as to wages, housing, and the tenure of land, the growth of the population there would speedily tend to outrun them. There would be an overflow to go somewhere. Many would also always desire to push

their fortune elsewhere. Do what you will here, the attractions and advantages which new countries with their free or very cheap land and virgin soil offer will always draw a number from us, especially as in the most attractive and available parts of the world the same language as our own is spoken and large numbers of our people have friends already there.

The peasant cultivators of the soil live lives of very great hardship and penury. In those countries where they own their holdings, their lot is a hard one, and no surprise whatever can be felt that, especially in countries like ours, the attractions of the higher wages and greater possibilities of advancement, combined with the glamour of town life, draw many of the most capable and enterprising away from rural districts. This influence is of course most powerful where the contrast between the wages or earnings in industrial and in rural districts is greatest. As industrial wages and conditions here are much better than they are in other parts of Europe, the attractions of urban life are greater here than there. The problem is as old as it is widespread. In the reign of James I. an Act was passed rendering any person liable to a fine who pulled down a cottage in the country, because of the number of people who were then migrating into the towns. In the unpublished portion of the *Oglander Memoirs*, written during the reign of Charles I., there is an account of Sir John Oglander being fined £10, under the above Act, for pulling down the walls of some ruined cottages which had been destroyed during his father's lifetime.

Where there is a genuine demand by suitable persons for allotments or small holdings, that demand should, as far as is reasonable and practicable, be met. Present arrangements and existing legislation have proved to be insufficient. They should be revised and strengthened. Given adequate provision for obtaining land at its fair market price, it should always be provided that the body or authority which compels the provision of allotments or small holdings should bear the financial responsibility. If the provision is justified by the results it will be financially successful, and no liability will attach to those who compelled it to be made. If the provision is not successful and loss is incurred, those who enforced the making of the unsuccessful venture should bear the cost of it. That is the only way to check imprudent and ill-considered schemes which would bring discredit on the whole movement.

“ Back to the Land ”

Much of the talk about getting people “ back to the land ” is merely indicative of lack of knowledge of the elementary facts of the problem on the part of many of those who glibly propound its solution. Most of those who have left the land do not wish to return to work upon it. The majority of them are doing better where they are than they would do if they returned to the fields. The energy, effort, and thrift which they would have to display in the country in order to be successful will secure for them better results in the towns. The problem in the towns is, for the most part, not those who come in from rural districts. Mr. Wilson Fox, who made an investigation for the Royal Commission on the Poor Law, found that out of 5657 men in the Metropolitan police who were questioned, 66 per cent were country-born and 25 per cent had been accustomed to farm work. Of the Glasgow police 91 per cent were from the country and 47 per cent had worked on farms. Of the work-people employed by sixteen large municipal corporations in England 37 per cent were country-born and 22 per cent had been farm-labourers.

Nothing that we could do would place one in a hundred—probably not one in a thousand—of that section of our town population which is one of the most difficult problems of town life permanently and satisfactorily upon the land. It is useless to think that the unemployed and casual workers of our large towns, the loafers and the slum dwellers could be dealt with and disposed of in that way. Many of them have not the character, energy, industry, and perseverance which are essential to success. A large section of them have not the mental and physical capacity which the life requires; and practically none of them have any experience. Nothing is more instructive in this respect than the history of the futile and wasteful experiments which credulous, self-confident, and emotional philanthropists and would-be reformers have made.

Mr. Fels' Object-Lesson

One of the most interesting is the adventure of Mr. Joseph Fels at Mayland in Essex. Mr. Fels is an American gentleman who is engaged in the soap trade, and appears to think that it is his mission in life to promulgate the teachings of Henry George and show the nations of the earth how their land systems should be reconstructed. He labours under the delusion that lack of free access to land is the

great trouble from which the world suffers, and that if land were available for any man who wants a plot, every one would become independent. In August 1905 he bought an estate of 630 acres situated on the River Blackwater, at Mayland. He appears to have got it for some £7 or £8 an acre. His object was to produce an object-lesson that would prove by demonstration the soundness of his views. The farm is 50 miles from London and 4 miles from the railway. The soil is heavy clay and difficult to work, but "it is fertile and yields very good crops." Believing that there are a large number of men who want but cannot get small holdings, and who would earn a comfortable livelihood if they had the opportunity they desire, Mr. Fels decided as a commencement to lay out and equip twenty-one small holdings of five acres each. He erected on each a suitable cottage and complete outbuildings, made roads and drains, and fenced, laid out, and manured the land. The rent was to be 4 per cent on the outlay. There were more than 1200 applicants for the holdings. It was decided that the selected applicants must have at least £100 available for stocking and working the holdings. That condition proved to be a wholesale disqualification, as only nineteen of the applicants possessed anything approaching £100. Two men were selected from the Unemployed Colony at Hollesley Bay and were put on a different footing as regards capital. One of these had to be got rid of. Four per cent on the cost worked out at £30 per holding. The rent was, however, made £24, or rather less than $3\frac{1}{4}$ per cent. Shortly afterwards another acre was added to each holding, ready prepared and planted, and the rent was made £25 : 10s. Capable supervision and advice were provided.

The selection of the tenants was made in the autumn and winter of 1906-7. The report as to the season of 1907 said: "All began well, though few could be made to realise the necessity for the continuous effort required to keep garden soil in a clean and friable condition." The summer was an unfavourable one. "The net result was disappointing to all concerned. Some few managed to make ends meet, but in the majority of cases the small holders were penniless on the approach of winter." Mr. Fels financed them through the winter. "A good start was made in 1908." But squabbles arose about the co-operative marketing and the arrangement broke down. The financial result was better than in 1907, but still not good for most of the tenants. Mr. Fels then arranged to defer all the 1907 rent, half of the 1908 rent, and one-fourth of

the 1909 rent. The year 1909 opened with "a well-organised system of handling all the produce grown." The most important crops were "an almost absolute failure . . . and almost every holder at the end of the season found himself nearly penniless." Again Mr. Fels financed them through the winter and gave them 90 tons of the best manure. Cash was provided to see them through until May 1910. Rent had been allowed to go into arrear, but payment was to be resumed in June. "When rent-day arrived only two were in a position to pay."

Once more Mr. Fels came to the rescue. He offered :

1. That those who wished to give up their holdings should be forgiven all they owed for rent or money lent, and be given as a gift half the amount of their original capital.

2. That those who remained should be rent free till Lady Day 1911, and then if after that they paid their rent for four successive quarters, they would be forgiven all rent and money owing at the time the offer was made.

At that time there were twelve small holders in occupation on the original conditions. The other holdings were occupied by farm-labourers who had been put into them on an entirely different basis. Of the twelve, six cleared off and left six to continue the struggle.

Two years later (in the spring of 1912) Mr. Fels announced that the experiment was a failure, and the property was offered for sale by auction. The farm and five of the holdings were sold. When I last heard (September 1913), Mr. Fels had the remainder of the holdings still in his possession, and nine of them were vacant. Seven original small holders were in occupation and the report concerning them was, "all of whom seem to be making a living, although it is probably a very poor one."

Mr. Fels spent money freely in his attempt to create a model village and show the land-owners whom he abuses "how to do it." He built cottages, post-office, shops, a school, and baths, and a light railway was constructed. The total outlay is said to have approached £50,000. He might as well have thrown nearly the whole of it into the sea. The lesson to be learnt is that good intentions and lavish expenditure are absolutely useless unless they be based on and combined with sound business judgment and practical experience.

The Hollesley Bay Colony

The experience of the Hollesley Bay Colony is also instructive. The estate consists of 1300 acres which were offered in 1905 by

Mr. Joseph Fels to the Central Unemployed Committee for London for use as a farm colony. Mr. Fels offered to loan the estate to the Committee for three years with the option of purchasing it any time within that period at cost price. The estate was bought by the Committee for about £37,000. In August 1911 the President of the Local Government Board stated in the House of Commons that in six years £143,000 had been spent on the Colony: the sale receipts had been £32,000; and the net cost had been about £110,000. Six thousand men had passed through the Colony, and the cost per man had been about 30s. 7d. per week. The result of the Colony as a training for men to go to work on the land had been that during the six years only nineteen men from the Colony had obtained work on the land in this country. As a means of enabling some unemployed men to tide over a bad time, the experiment may have been of some use; but even from that point of view it was an expensive way of going to work. As a means of preparing, qualifying, and inducing unemployed men in towns to go on to the land it was a costly fiasco.

The Lesson

These instances have been mentioned, not for the purpose of showing that what was attempted there could not be successfully accomplished by any one anywhere, but in order to support the warning that great care, judgment, and experience are required in making experiments of this nature. Given favourable conditions, suitable soil, easy access to markets, industrious and competent occupiers, and the necessary capital, and much may be done, and in some districts has been done, in developing a form of agriculture which will transform many rural districts, largely increase the produce of the soil, and breathe a spirit of independence and hope into a class of our people who are as deserving as they have been patient and long-suffering through a long period of trying times. There must, however, be no idea that all that is necessary is to acquire land and expend money freely in buildings and equipment, and then put upon it the tens of thousands of men who without any practical experience whatever think that it would be nice to live in the country and watch a piece of land produce a livelihood for them as the result of a little leisurely attention to it by them. That way lie disappointment, fiasco, and financial disaster. The more easily money is obtained for the purpose the greater the risk of folly and futility. If public money is to be made available for experiments and new departures, the need for common sense, sound

judgment, and practical experience is far greater than if private individuals were financing them. Few people are quite so rash and incompetent in such cases as Mr. Fels was, when their own money is at stake, but when the public purse can be dipped into by sentimental cranks and theorists the risk that the community may be involved in extravagant schemes which are doomed to failure is very considerable.

NOTES

In Belgium, where the density of population is similar to that of England, there are more people employed on the land per square mile, and the soil is more highly and intensively cultivated, than in any other European country. Associated with these conditions are high rents for land, low wages, unremitting labour, and a low standard of living. Mr. Rowntree tells us that "Wages vary greatly from district to district; they are as low as 1s. 2d. a day, and even less, in some parts of the north-west of Belgium, rising to 2s. and 2s. 5d. in the south-east. Taking the country as a whole, it may be said that the most common wage varies from 1s. 2d. a day with food to 1s. 7d., or a little more, without food. Very often this is supplemented by perquisites of one kind or another." "A certain number of the farm hands 'live in.'" "As a rule, the men sleep in the stable or cowshed, in a wooden box about 5 ft. from the ground." Of a "typical" small holder (of five acres) in Flanders, he tells us that "for four months in the year he worked as a labourer for other people, and earned 1s. 1d. a day, without food, in summer, and 11½d. in winter, his hours being from 5.30 A.M. to 8 P.M., with three hours off."

Much of the land which was turned from arable to pasture in England when the price of wheat fell was really better adapted to pasture, and had only been ploughed up and used as arable during the time when prices were high. The increase in the cost of labour was also a determining factor in these cases.

CHAPTER II

AGRICULTURAL WAGES AND RURAL HOUSING

THE wages of agricultural labourers are admittedly low. Except in the vicinity of manufacturing or mining districts or great towns they are deplorably so. It is not easy to obtain exact information as to the total remuneration received, and the conditions and facts vary much from district to district. But if the most favourable statements—of the farmers themselves—be taken as to the extra earnings, the value of cheap cottages and of perquisites, the remuneration is still low, the hours are long and the lack of holidays and of time for rest and recreation is marked.

What is the reason for this? There are several conditions present which should make the industry a well-paid one. English agriculture has, so to speak, at its door the best market in the world for its produce. The demand is far greater than the supply furnished by this country. The standard of wages and employment in other industries is higher here than in any other part of the Old World. Men are drawn off from agricultural districts, and the supply of labour there is reduced by the attractions of those other higher-paid occupations and of town life. In addition there are the inducements offered in new countries where land can be had for nothing, or next to it, and the English tongue is spoken. These conditions in almost any other industry would make good wages a necessity. Why is it they have not done so in this instance? The main reason, I take it, is that for some time agriculture has been a depressed industry. It has suffered severely from the competition of the produce of virgin soil in countries outside our own. The prices of many kinds of produce have fallen heavily. The average prices for the ten years 1866–75 were: wheat, 54s. 8d.; barley, 39s. 2d.; oats, 25s. 10d. per quarter. In 1899 wheat was 25s. 8d.; in 1904 barley was 22s. 4d., and oats were 16s. 4d. per

quarter. This was ruinous. It is little wonder that the amount of land under arable cultivation in England and Wales fell from 14,943,127 acres in 1872 to 11,335,276 acres in 1912, and that the employment of agricultural labourers correspondingly diminished.

Land-owners, farmers, and labourers had to face an exceedingly trying time. Land-owners and farmers suffered severely in diminished income and loss of capital. Many of them were unable to weather the storm, and were ruined. It was anything but a favourable time for securing an increase in wages. That the persistent and long depression did not bring about a more serious reduction in wages than did take place was mainly due to the fact that they could not very well go much lower and retain sufficient effective labour on the farms. Nothing but a very powerful organisation and the possession of the means of obtaining an alternative livelihood elsewhere could enable men to force up even very meagre wages under such circumstances. Neither of these conditions was present. In an occupation where the majority of the men earn less than 18s. a week, the maintenance of a powerful Trades Union with funds sufficient to enable its members to carry through a successful struggle for higher wages in an industry that was suffering badly from depression was out of the question. Leaving the industry and going elsewhere was equally difficult for most of them. Low wages mean inability to accumulate even a small amount of capital, and without something in hand a new start elsewhere cannot be made. The men were largely helpless. Improved conditions in the markets for agricultural produce have eased the situation somewhat during the last few years; but the movement has been slight, and the increased cost of living has probably more than counterbalanced it.

A Century's Experience

What is to be done? The experience of the last 100 years indicates that agricultural labourers can do but little in the way of improving their own condition. Their position needed improvement more than that of any other class. In 1850 their wages were exceptionally low, and with the general improvement experienced between then and now they ought to have advanced a great deal. As a matter of percentage, the increase in agricultural wages between 1850 and 1870 did not compare badly with the increase in wages generally. The increase in agricultural wages in the 20 years was 28 per cent, and in general wages 34 per cent. But

the increase in agricultural wages was on a very low base figure ; so that the increase in general wages, though in percentage not much more, really meant an increase twice as great in actual amount of extra money. Between 1870 and 1907 agricultural labourers' wages increased 22 per cent, while general wages increased 35 per cent. Or, to put it another way, between 1850 and 1907 agricultural wages increased 56 per cent, and general wages increased 81 per cent. That is to say, as compared with wage-earners generally agricultural labourers have lost ground.

Mr. Rowland Prothero gives a table of average weekly cash wages in five districts into which he divides England. From it we extract the following figures :

	1837.	1850-51.	1869-70.	1872.	1910.
	<i>s.</i> <i>d.</i>	s. d.	s. d.	s. d.	s. d.
Eastern and North-Eastern	10 4	9 1	11 3	13 2	14 0
South-Eastern and East Mid- land	10 0	9 5	12 5	14 10	15 1
West Midland and South- Western	8 10	7 2	10 10	13 1	13 9
North and North-West	12 1	11 10	15 0	17 4	18 0
Suffolk	10 4	7 10	10 10	13 0	12 9

This table brings out two or three important facts. The wages in 1850 were some 10 per cent below those of 1837. After 1870 the greater part of the increase took place in the two years 1870-72. Since then the advance has been small. Very little progress has been made in the last forty years.

That great importance must be attached to the depression through which the industry was passing between 1879 and 1900 is shown by the figures which Mr. Wilson Fox published in his *Second Report on the Wages of Agricultural Labourers*.¹ He gave there the average cash wages (not including extras and the value of allowances) from 1850 onwards.

In 1850 the average wage was 9s. 3½d. per week. It gradually increased until it reached 13s. 8d. in 1878. Then came one of the most disastrous years (1879) in the history of British agriculture and wages gradually shrank until they averaged 12s. 9½d. in 1887 and 1888. After that they slowly moved upward again until in 1898 they once more reached the figure at which they stood in 1878. Since then the improvement has continued : in 1907 they were 15s. 2d., and in 1911, 15s. 4½d.

¹ Cd. 2376 of 1905.

The Principle of a Minimum Wage

Upon the general question of fixing a legal minimum wage below which people may not be employed in specified industries where experience has shown that the rate of remuneration which the employees are able to secure for themselves is not such as should be regarded as permissible, I make no apology for reproducing here the following paragraph from the Report of the Select Committees on Home Work, 1908. This Committee sat for two Sessions of Parliament inquiring into the rates of pay in what were known as "sweated industries." As Chairman of that Committee I drafted the Report, and this paragraph, which may be said to state the principle upon which the policy of the Trades Boards Act is based, was adopted by the Committee with complete unanimity :

Upon the question of the general policy of Parliament fixing or providing for the fixing of a minimum rate of payment for work, below which it should be illegal to employ people, your Committee are of opinion that it is quite as legitimate to establish by legislation a minimum standard of remuneration as it is to establish such a standard of sanitation, cleanliness, ventilation, air space, and hours of work. If it be said that there may be industries which cannot be carried on if such a standard of payment be enforced, it may be replied that this was said when the enactment of many of the provisions of the Factory and other similar Acts were proposed ; and public opinion supported Parliament in deciding that, if the prognostication were an accurate one, it would be better that any trade which could not exist if such a minimum of decent and humane conditions were insisted upon should cease. Parliament, with the full approval of the nation, has practically so decided again and again, when enactments have been passed forbidding the carrying on of specified industries, unless certain minimum conditions as to health, safety, and comfort are complied with. It is doubtful whether there is any more important condition of individual and general well-being than the possibility of obtaining an income sufficient to enable those who earn it to secure, at any rate, the necessaries of life. If a trade will not yield such an income to average industrious workers engaged in it, it is a parasite industry, and it is contrary to the general well-being that it should continue. Experience, however, teaches that the usual result of legislation of the nature referred to is not to kill the industry, but to reform it. Low-priced labour is a great obstacle to improvement. It discourages invention, and removes or prevents the growth of a great stimulus to progress and efficiency. The direct and early result of prohibiting unsatisfactory conditions in industrial life is almost invariably to direct the attention of the most competent minds in and about the trade to the production and introduction of

such improvements in machinery, methods, and processes as will enable the industry to continue under greatly improved conditions, and be carried on with greater success than before. In our judgment there is no reason to doubt that similar beneficial results to all concerned—employers, workpeople, and the general public—to those which have followed the establishing of minimum conditions of other kinds in various departments of industrial life, would follow the establishing by law of minimum rates of payment for such classes of workers as experience has shown are unable to secure for themselves rates of payment for work which may reasonably be regarded as even the lowest upon which an average worker can exist.

If the principle of fixing a minimum wage for a specified industry be accepted, opinions will vary as to the best method of determining what that wage shall be. Should it be fixed locally, and, if so, by whom and over what areas; or should it be fixed nationally? As a rule, the local area method is the best; but, in this particular case, there is much to be said for Parliament fixing a national minimum for each country in the United Kingdom. It would avoid much complication and friction. Such a wage would have to be the minimum for men, say, from 25 to 60, with an arrangement under which, in special cases, men who, owing to exceptional circumstances, personal or otherwise, could not earn an average wage might be permitted to accept less. Where payment can be by piece, this difficulty is avoided, as the wage earned is according to the amount of work done; but where the payment is by the hour, day, or week, it must be arranged for and met.

If it be deemed undesirable that Parliament should attempt to fix the actual figures of minimum wages—and in connection with the wages of coal-miners the arguments against so doing were unanswerable—the minimum wage for agricultural labourers should certainly in each case be fixed for a large area.

Wages should also always be paid in money. The provisions of the Truck Acts should apply to agriculture. The housing of the labourer will not be put on a satisfactory footing until that is done. Nor will his independence be secured without it.

Rural Housing

In rural districts the housing problem is largely a question of wages and ability to pay a commercial rent. Until cottages can be built and let on a business footing, no satisfactory solution of the rural housing problem is possible. Unless cottages are let on commercial lines, they must be subsidised. That is equivalent to

subsidising wages, and is unsound economically and extremely undesirable socially. To compel local authorities to build cottages, which can only be let at uneconomical rents, which involve a loss to the ratepayers—as nearly all Urban and Rural housing schemes do—is really to compel them to subsidise, and thereby to encourage and perpetuate low wages. Further, if subsidised cottages are provided by giving, say, a 4s. or 5s. a week cottage for 2s., 2s. 6d., or 3s. a week, the result must inevitably be to establish non-commercial rents, and thereby put an absolute stop to the building of cottages by any one else. That would render constant subsidies and constant building by the community necessary. We should thus gradually return by another route to the miserably disastrous policy of the Poor Law of a century ago. It is satisfactory to note that the Report of the Land Enquiry Committee, 1913, says: “We believe a policy of subsidies for housing to be unsound and indefensible.”¹

Government Cottages

It is suggested that the Government should embark on a great cottage-building scheme, and it is stated that, by standardising the buildings and giving orders for doors, windows, stoves, etc., in large quantities, a great saving may be effected. It will be interesting to see definite figures and binding estimates from responsible contractors; and it will be more interesting still to see actual results. Personally, I have not much faith in the capacity of any public authority, be it Government, Municipal Corporation, County Council, or District Council, to build economically. Nor do I think that cottages scattered all over the country in groups of small numbers in villages here and there can be managed satisfactorily and economically by Government officials. The whole instinct and tradition, and the inevitably cumbersome formality and red tape of a Government department, are always enough to make ordinary business men tear their hair.²

¹ P. 47.

² It is vitally important that the cottages should be well built, and if the cost is to be kept within reasonable limits, and the accommodation that is provided is to be the most and best that can be given for the money, the artistic architect and amateur must be kept at arm's length. Once let him in and the result will be either a shoddy-built cottage with cramped accommodation or one the cost of which will be prohibitive. Some of the cottages which have recently been erected in what are described as model villages—colliery and other—are really tawdry, sloppy productions, which will be tumbling to pieces in a few years, in spite of the red and green paint and the fal-de-rals which delight their sentimental and so-called artistic admirers. These cottages are wanted to live in and not merely to look at.

That the assistance of Government credit and funds may be necessary is probable. It would be far better and healthier if resort to them could be avoided. But the conditions are so exceptional, and the requirements are so extensive and so urgent, that the use of public funds for the purpose seems unavoidable. The best way of rendering assistance of that kind will require careful consideration.

Sites and Wages

There are two matters which are important, and, indeed, fundamental, apart from the actual building of the cottages. They are the obtaining of land on which to build, and the capacity of the occupants to pay a commercial rent for the houses when they are built. Be the method of providing the buildings what it may, arrangements must be made for obtaining land on which to erect them at a fair market price, and to obtain it promptly and compulsorily if needs be. If that part of the problem be satisfactorily dealt with, and the wages of the labourers be substantially increased in low-wage districts, so that a commercial rent can be paid—and that would not be difficult if a good garden were attached to each cottage—then it is probable that private enterprise would do much to provide the new cottages. As soon as it pays to build them and land can easily be obtained on which to build them, it is probable they will be built. In this connection a revision of building by-laws on common-sense lines is urgently needed. In matters of building we have been legislated for and regulated on points of unimportant detail—while really serious phases have been neglected—until enterprise has been crippled and the public have suffered.

If the Government would then find two-thirds or three-fourths of the cost at a low rate of interest, the provision of the cottages would be greatly facilitated. It would be quite feasible for two or three standard sets of plans to be got out, for which large concerns would be prepared to supply doors, windows, stoves, etc., of the standard sizes at wholesale prices. The Government could then offer to lend a specified sum at $3\frac{1}{2}$ per cent on every cottage of a given standard, subject to the condition that it should be let at a rent not exceeding a specified sum so long as any of the loan from the Government remained on it.

If the cottages can be supplied, it is far better that the Government should provide loans at a low rate to enable private individuals, societies, etc., to erect them than that a Government department

should build and own and attempt to manage scores of thousands of cottages scattered all over the country. As the wage of the labourer and the arrangements for obtaining land promptly and cheaply are really the key to the situation, it might be well to provide those essential conditions and offer cheap loans and see what the result was before embarking on a great scheme of Government building.

A point in connection with this suggestion of Government ownership of cottages is, What would be the effect politically? What would be the result—as regards candidates and members of Parliament? The pressure now brought to bear at elections and at other times by dockyard, Post-office, and telephone employees, Inland Revenue and Customs officials, and elementary school teachers is demoralising and detrimental to the public interest. What would be the effect of adding to this the pressure and influence of 100,000 tenants of Government cottages and the probable pressure of another 100,000 electors who might desire to be similarly favoured?

When the wisdom of the erection of houses for the accommodation of the general public by the Government, Municipal Corporations, and other public bodies is questioned, it does not follow that it would be unwise or undesirable that the Government, County Councils, Municipal Corporations, and Police authorities should erect cottages for their employees in rural districts especially where there is anything like a shortage of houses, and the occupation of the best of the cottages by these employees is depriving the agricultural labourers of houses which would otherwise be available for them, and creating a shortage which renders dealing with dilapidated and insanitary houses difficult.

“ Physician, heal Thyself ”

In connection with the question of the provision of land for the erection of cottages, it may be pointed out that the Government itself is far from blameless in the matter. Indeed, speaking generally, the Government should be the last body in the country to say anything about arbitrary action by any one. Whether as landlords, or tenants, or as taxing departments, their attitude is almost invariably arbitrary and high-handed. They are veritable Shylocks: they take advantage of every turn and technicality of the law in their own interest. That the head of the departments which are the greatest sinners in this respect desires to take steps to control arbitrary conduct in others has a distinctly humorous side.

The following letter from Sir Walter Peace, Lieutenant-General Sir Henry L. Geary, Vice-Admiral C. Johnstone, and Major-General Dalrymple, with reference to new workmen's cottages at Camberley, which appeared in the London papers on January 4, 1912, illustrates the position :

Seeing that workmen in this neighbourhood complain with justice that they cannot get cottages to live in at rentals which they can afford to pay while providing reasonable support for their families, we interested ourselves to find a remedy. Our endeavours proved fruitless, from a cause which we think the public should know.

The little town is nearly surrounded by moorland which is the property of one landlord, who, on receiving an application for land for workmen's cottages, intimated that he does not propose to sell any of the land, but, subject to a preliminary stipulation, would grant a lease of three acres for a period of 99 years. The preliminary stipulation is that the intended lessee shall form, make, metal and sewer roads leading to the land at a cost to be approved by the landlord. (It is estimated that this work would involve an outlay of several hundred pounds.)

The lessee's obligations would include the following points :

To pay the tithe rent (if any).

To expend £1600 in building eight cottages on each acre of land—such cottages to be built according to plans and designs which the landlord may approve.

To pay the landlord's surveyors £12:12s. for examining the proposed designs for the eight cottages to be built on each acre.

To obtain the landlord's approval of the ground rent apportioned to each cottage before any sub-lease is granted to a tenant.

And to pay to the landlord—after the first year—a ground rent of £14 an acre.

The landlord is to be under no obligations ; all he has to do is to receive the ground rents, and, at the end of the lease, to receive the cottages as his own. It is well known that the landlord has borrowed large sums of money at $2\frac{1}{2}$ per cent interest—thus the ground rent demanded for each acre proposed to be leased would provide the interest on £560.

The landlord referred to is the Government, who gave nothing for the land and never spent a penny on it. Need we add that no workmen's cottages can be built on the property of such a landlord ?

The Wages Question is Fundamental

Whatever the method of supplying the cottages may be, the position of the agricultural labourer cannot be placed on a sound and satisfactory footing until he is given a wage that will enable him to maintain himself and his family and pay a commercial

rent for his cottage. No system of doles and grants, no tinkering with rates and taxes, no compulsory or other acquisition of land and building of houses will deal permanently and effectively with the rural housing problem, unless and until the labourer is placed in a position to pay a proper economic rent for a suitable cottage. As soon as land can be obtained for cottages easily and at a reasonable price and labourers can pay a rent that will show a commercial return on the outlay, the probability is that cottages will speedily be provided by private enterprise. Until those conditions are present any other system of providing cottages will tend to become a mere method of subsidising labour, and thereby making a gift to land-owners.

It is not to be expected that farmers and land-owners will voluntarily increase the wages of their labourers substantially and all round in those districts where they are at a low level. Any wage that will be regarded as practicable in those districts will be insufficient unless there is also the opportunity of securing a good cottage with from a quarter to half an acre or more of garden attached to it. Such cottages and gardens will not be supplied at all unless a remunerative rent can be obtained for them, and even then there are many farmers and landlords who would not encourage and facilitate the provision of them. The farmer is unwilling to pay much higher wages, and indeed many declare that they cannot afford it. The landlord is unwilling to further reduce a rent which has already fallen considerably, and shows a very meagre return on the capital which has been expended on the property. No one will build cottages that cannot show a fair return on the cost of them. The labourer cannot pay a rent that will show such a return. That is the circle in which these affairs have revolved and are revolving. The result is a deadlock.

The difficulty and urgency of the matter is increased by the fact that as the years pass, the number of cottages which become too old and dilapidated to meet even the most moderate of modern requirements increases, and also that, owing to the long period of depression through which agriculture has passed, and the extent to which the resources of many land-owners have thereby been depleted, the ability of landlords to erect cottages has been seriously diminished. Many of them would like to build cottages, but do not feel they can afford it. Further, more and more of the best of the cottages that remain are occupied by men—policemen, postmen, roadmen, railwaymen, and others—who are not engaged in agri-

culture. These men can pay a rent which the agricultural labourer cannot. It is no part of a land-owner's duty to provide houses for those who do not work on his land. On the other hand, he is not justified in declining to sell land in order that others may erect houses which are required by the general public.

Parliamentary Intervention necessary

This Gordian knot cannot be untied: it must be cut by the intervention of Parliament. A substantially increased wage for agricultural labourers in low-wage districts must be secured. The provision of necessary suitable cottages with an adequate piece of land attached to them must be ensured. Means for obtaining land for these cottages quickly and without expense at a reasonable price must be devised. In some form or other capital must be provided where necessary for erecting these cottages on a business-like footing to be let at commercial rents. In order that cottages may be built and let on a commercial basis it appears to be essential that a good garden should be attached to each of them. It would be a great help to the labourer, and really make the cottage a sound investment for the owner and a remunerative tenancy for the labourer. At present only about one-sixth of the gardens in rural districts exceed one-eighth of an acre. This is an anomaly, and an uneconomical one for everybody concerned.

The question of the payment of the increased wage will have to be faced, and will require careful consideration. In the long run it will prove remunerative to all concerned. Better payment will produce more efficient labour on the one hand, and on the other it will stimulate more scientific and efficient cultivation. In the meantime, however, it may throw increased cost on tenants who have entered into leases and agreements based on existing conditions. It has been suggested that a statutory authority should have power to adjust rents in such cases. That would be a novel and a big departure, and would require very full discussion and careful consideration. That something would have to be done to meet the situation is possible. That this is the best way of meeting it is not quite so clear.

The rates of wages vary considerably in different parts of the country. Differences of 4s., 6s., and even 8s. a week are not unusual between one part and another. There is not a similar difference in the price obtained for the produce. Nor have I seen it shown that where the wages are low the rents obtained for the land are

higher than those obtained for similar land in districts where the wages are higher. That being so, it looks as though either farmers made larger profits in low-wage districts or that low wages led to less efficient and consequently less successful farming, or that low-wage labour was less valuable, and in the long run as costly as when it is better paid. It is by no means certain that the payment of better wages would be all loss to the farmer. It is conceivable that it might be a gain to him. My own impression is that where the total income of the labourer is 20s. a week, he is well worth the extra 5s. more than those who are in districts where the total remuneration only comes to 15s. I have always understood that the experience of farmers in the better-paid districts, when labourers have come to them from poorly-paid districts, has been that the new men were less vigorous and less efficient, and consequently less valuable than their own men, but that after a time the better pay and the resulting better nourishment and better conditions gradually worked an improvement and brought them up to the level of their old hands. There can be no doubt that low-paid labour is dear. When wages are low sustenance is poor. The man or woman is badly fed, badly housed, badly clothed. The result is that strength and endurance are lowered; spirit and hope vanish; and the labour becomes ineffective and costly. The deterioration spreads. Children cannot be brought up properly; they grow up deficient in strength, stamina, and skill. Thus the standard and calibre of the population are lowered. The labourers become *worth* less as workers; and their wages tend to remain low because the value of their labour is small. An all-round improvement in their conditions would improve their strength and stamina, raise their spirits, brighten their intelligence, and increase their efficiency, and thereby appreciably add to the quantity and value of their work.¹

¹ Writing on this subject in a letter to the *Daily News*, Dec. 6, 1913, an Essex farmer who farms 500 acres in that county and has had experience in Durham and North Yorkshire said: "I may say that it is all a question of system and the amount of work done, and I have satisfied myself that the cost per acre for labour in the North, where wages are 22s. to 23s. per week, is no greater, and in some cases less, than in Essex, where the nominal wage is 15s., and the actual cash earning 17s. to 18s.

"I was in the Cleveland district of Yorkshire the first week in October, and found the ploughs everywhere at work until 5 p.m., while my men here had their horses in the stable at 3 p.m., the time for starting work in the morning and the interval for a mid-day meal being the same in both cases.

"I began farming here twenty-seven years ago, with the firm conviction that it was possible to pay much higher wages than the current rate, but at once found

If this view be a sound one, it would not be equitable to compulsorily deduct the increase in wages from the landlord's rent as a matter of course. It might also be that such an arrangement would give an advantage to those who had previously been most niggardly in the matter of their men's wages. In other cases the tenant might obtain a reduction in his rent because wages had risen, and then cut down his labour bill by laying down arable land as pasture. Possibly the best plan would be not to make any special and specific arrangement by legislation for reducing rents if wages were increased, but to leave the matter to be settled by private agreement wherever possible, with an appeal, where necessary, after a sufficient time had elapsed to provide experience of the actual effect of the new arrangement, to a statutory authority empowered to deal with the whole question of rent. Then, of course, any material change in the cost of labour, as well as of any other conditions and considerations, would be submitted and discussed. A great many tenancies are now annual, and with them an opportunity for revision of rent would speedily present itself. Where there is a lease the probabilities are that it was taken when conditions were much less favourable than they now are, and consequently that the rent paid is below the present rental value of the property.

Rents would speedily adjust themselves to the new conditions, and it will be well not to introduce more legislative interference than is really necessary. During the last sixty years the prices of grain have fallen much, and yet agricultural wages have risen. Rents have fallen. That is to say, prices, rents, and wages have automatically adjusted themselves to the prevailing conditions. They will continue to do so.

myself up against a system that precluded this, owing to the small amount of work done in the day. That both men and horses can do a vast deal more is plain from the way the work is accomplished in the harvest, when as much is done in one month as in two months at the rate usual during the rest of the year.

“ If the same system prevailed here as in North Yorkshire, I should only require six teams to till my land instead of the eight I keep at present, and as the cost of keeping up a team of horses and paying the driver is just about £100 a year, that would mean £200 per annum off the labour bill, which would be available for paying higher wages to the other hands employed.

“ If and when wages here in the south are levelled up to the northern standard, such a change as this will have to come ; and as a practical farmer, I can say that I would far rather be under the northern system than as I am at present.”

CHAPTER III

URBAN PROBLEMS

SOME references have already been made to the urban phase of the housing problem. Where there is any real difficulty in obtaining land for building purposes, compulsory powers which could be put into operation promptly, cheaply, and effectively are clearly necessary and should be provided. No one should be allowed to hold up arbitrarily any town or district so as to prevent its legitimate expansion and development.

Slums and Overcrowding

So far as slums and overcrowding are concerned, by far the most important thing is to vigorously and sternly prevent and prohibit them. If the authorities will but insist on the houses in slum districts being kept in sound tenantable repair and in good tenantable condition, and will compel owners to evict occupiers who are overcrowding the premises, that part of the evil can be put an end to. As we have already indicated, for the most part the trouble and difficulty do not arise because there is not other accommodation available, or that it would not speedily be available if there were reputable tenants requiring it.¹ That is the difficulty in rural areas, and to some extent it exists in exceptional urban areas, but it is not the ordinary slum and overcrowding problem.

Speaking broadly and generally, the erection by municipalities either of ordinary cottage houses or of blocks of dwellings for the housing of work - people is unnecessary and undesirable. The clearing away of slums is good ; but the provisions of the law which

¹ The Housing Committee of the London County Council reported, Feb. 12, 1913, "There is no evidence that there is any lack of housing accommodation in any district of London at the present time, and in almost all districts there is a considerable margin available." During the year 1912-13, 5¼ per cent of the Council's own property was empty.

require local authorities, railway companies, and others to erect great blocks of dwellings on or in the vicinity of slum areas which for one reason or another have been cleared are in most cases a great mistake and an extremely costly blunder. They do not house the people they were intended for. They bring in or retain in the centre of crowded city areas people and families who would be far better outside and, but for this provision of opportunities of living near the centre largely at the public cost, could and would go farther afield for their houses.

It is the general impression that when they make public improvements local authorities have to buy out slum properties on the basis of extravagant rents obtained by allowing overcrowding. That is not the intention of the law. The Act of 1875 forbade arbitrators to give any allowance in respect of compulsory purchase in such cases. The Artisans' and Labourers' Dwellings Act, 1879, provided that where, by reason of overcrowding or otherwise, a house is in a condition to be a nuisance, the compensation is to be limited to what the value of the house would have been if the nuisance had been abated, and is, moreover, to suffer reduction by the estimated cost of abating it. By the Act of 1890, the owner's compensation was expressly limited to "the value of the land and of the materials of the building thereon." This is clearly just, and if the law is in any respect defective on this point, it should be amended.

It is interesting to note that between 1851 and 1900 there were 20 Acts of Parliament passed dealing with the housing of the working classes.

What really takes place may be illustrated from the accounts of the Manchester Corporation of their properties acquired and erected under the provisions of the Public Health Act, 1875, and the Housing of the Working Classes Acts, 1890-1903. For the year ending March 31, 1913, the results were as follows :

	£	s.	d.
Total capital outlay	444,080	13	4
Total receipts for the year	19,096	2	8
Total outgoings for the year	33,284	6	0
Deficiency for the year	14,188	3	4

If we eliminate from these figures the heavy extra cost of buying up property and take the sites thus acquired at the value at which the Corporation put them, in the cases where this can be done, and again, if we entirely exclude the cost of the land, we get the following results for eight of these properties :

	£	s.	d.
Cost of buildings and estimated fair value of the land	219,765	3	3
Net revenue for the year, excluding interest and sinking funds		3,862	19 10
Cost of buildings only	200,291	13	3

That is to say, if the sites of these buildings had cost nothing, the net revenue from them, without charging anything for depreciation, would show a return of less than two per cent on the bare cost of the buildings alone.

The experience of almost every other city which has gone in for these housing schemes is practically the same. From the financial point of view the expenditure has been ruinous, and in the end, in the great majority of cases, as has been shown in a previous chapter, they have not housed the people for whom the dwellings were really erected.

The Real Slum Problem

The case of the real slum dweller has yet to be grappled with. The problem is by no means a simple one. The demolition of slum areas and the erection of municipal dwellings thereon or near-by quite fails to touch it. For the most part that policy merely moves the slum dweller on. He goes elsewhere and immediately overcrowds and creates another slum there. That will never be prevented until overcrowding and the letting of dilapidated, dirty, and insanitary slum houses is strictly prohibited. When that is done there will still remain the slum dweller to be dealt with. Many of them will be without house and home, not because there are no houses or tenements vacant, but some because they are so poor that they cannot afford to pay the rent of a decent dwelling in which they would have to live under decent conditions; and others because the owners of decent houses who keep and desire to keep them in decent condition will not have them as tenants. The managers of the municipal dwellings will not have them. Some of these people would demoralise any street or block of dwellings into which they were admitted, and would speedily reduce any house or tenement to such a condition that no self-respecting family would live in it, if they could find accommodation elsewhere.

The real slum and overcrowding problem - apart from exceptional cases of actual scarcity of available dwellings, which can easily be dealt with on other lines - is therefore a threefold one. First, that of absolutely preventing overcrowding and the letting of dilapidated, worn-out, insanitary houses. Second, that of housing those who

would be thus turned out of their present dwellings, and whom no one else, other than owners of similar slums, is willing to receive as tenants. Third, that of providing for a section of this overcrowded, submerged population who are where they are as the result of extreme poverty due to causes over which they have had probably little or no control—sickness, death, or incapacity of the breadwinner, sheer misfortune, genuine inability to earn an adequate livelihood. This section would go into and would be accepted in decent houses or tenements and blocks of municipal dwellings; but they cannot pay the rent. They are not drunken, dissolute, lazy, criminal, dirty, objectionable, and destructive. They are simply terribly poor. They need and deserve the most considerate and kindly help, and the community will gladly give that help when it is shown how it can be given wisely and effectively.

This threefold problem largely hangs together. Hitherto, the fringe of it has scarcely been touched. Local authorities will not exercise their powers and close insanitary and tumble-down slum dwellings, and evict overcrowded occupiers, because if they do there are no other places that will take the people in, and they cannot well be left in the street. The idea that the remedy was to be found in erecting municipal dwellings has been shown to be a mistaken one. These people do not go to those dwellings, and the problem of housing them remains just as acute after hundreds of thousands of pounds have been wasted on municipal buildings as it was before a brick was laid. It is useless to erect municipal dwellings unless they are reserved for these very people whom they will not now have or who cannot pay the rent required.

Thus the problem works round in a circle. There will be slums and overcrowding as long as they are permitted. Local authorities will not prevent them unless there is somewhere else for the people to go. It is useless to turn them out of one slum area if the result will merely be that they will create another elsewhere. Municipal dwellings have entirely failed to touch the problem, and will continue to do so unless and until they are reserved for those who, if they are not thus provided for, will be in slums. Then, and not till then, will it be possible to abolish the slum and repress and prevent overcrowding.

What Liverpool has done

So far as my knowledge goes, the city of Liverpool has approached more nearly to a solution of this problem than any other town. Its experience is very interesting and instructive. For

many years the Corporation cleared slum areas by demolishing insanitary property. They did not build new dwellings. They sold sites to builders at low prices on condition that working-class houses were erected thereon. The Housing Committee state that the result of this policy was first "that not one of the 800 houses erected under these conditions was ever occupied by a dispossessed tenant"; and, second, that the people who were dishoused "were driven into cellars and other insanitary houses and sub-let houses."

In 1885 they undertook the erection of working-class dwellings themselves. They cleared a slum area and erected on it tenements for 1278 persons. The result was the same as before. The dishoused poor were not housed, and they "overflowed into the immediate neighbourhood, where they went into sub-let houses, creating more sub-let houses, insanitary cellars, and adding greatly to the overcrowding in the city." The Committee say, "The result was that up to 1896 about 10,000 insanitary houses had been demolished, both by the Corporation and private enterprise, without any of the persons inhabiting them being rehoused, and it is estimated that 40,000 people were in this way unhoused."

An agitation sprang up against this policy on the ground that it did not house the dispossessed people, that it provided dwellings at the public cost for people who really did not need help—in a word, that it housed the wrong persons; and that it competed unfairly with and thereby checked the provision of houses for ordinary tenants by private enterprise. The outcome was the decision to continue the demolition of insanitary houses, and to erect new working-class dwellings where necessary, *but to restrict the use of them to the persons actually turned out of insanitary property.*

The result was that up to May 1913 the Corporation had erected 2747 dwellings, and there were 9860 persons residing in them. The point of interest is the large proportion of the dishoused people who were rehoused by the Corporation under the new policy. In connection with five of the schemes, where 1276 houses were demolished, 5562 persons were dispossessed, and 4477, or more than 80 per cent of them, were rehoused in Corporation dwellings.

All experience has clearly demonstrated that the mere provision of municipal dwellings or a plentiful supply of houses built by private enterprise will not touch the slum and overcrowding problem. It is not, in 99 cases out of 100, lack of houses that is the cause of the trouble. It is inability or unwillingness to pay a commercial rent for a decent dwelling. Liverpool has shown how a very large

proportion of these people may be satisfactorily dealt with. Doubtless there will be found a residuum of the criminal, drunken, and lazy who will be difficult to deal with on satisfactory lines, but the solution of that part of the problem will be much simplified when we have, by making provision for the unfortunate and the deserving, sorted out and reduced to its real dimensions this most difficult element in the population of our towns.

It is instructive to note that the net charge on the rates of Liverpool for their demolition and housing schemes is 2½d. in the £, and that the net charge on the rates for the restricted dwellings which only rehouse the dispossessed is 1½d. in the £. Many other towns, working on the old futile lines, have a much heavier charge on the rates, and have quite failed to house the people for whom their buildings were really intended.

Two other Phases

There are two other phases of this housing problem to which reference should be made. One is the use in old towns of large houses, which have at one time been occupied by well-to-do people, as dwellings for the poor. As a rule, no attempt is made to adapt the parts of these houses in which separate families live for use as separate dwellings. No separate sanitation or water-supply or cooking-range or sink or ashbin is provided. The arrangements which were intended for a house occupied by one family have to serve for three, five, seven, and sometimes more, families. It is inevitable that they should become slums, and little better than pest-houses. The conditions are often revolting. Several families in a house of this kind are in far worse position than two families in a two-floored cottage. If, when the time comes that such houses cannot be let as single dwellings, it were insisted upon that proper cooking arrangements, water-supply, and sanitary fittings should be provided for each part of the house that was to be let as a separate tenement before it could be so occupied, not only would such deplorable conditions as now often prevail be prevented, but quite decent and comfortable flats could be created which many people would be glad to occupy until the time came for demolishing the houses altogether.

The other phase is that which is found in the vicinity of mines and ironworks. These undertakings were often started in more or less out-of-the-way districts. The proprietors had to provide the cottages for their workmen to live in. Very frequently this

was done in a most unsatisfactory manner. The cottages themselves were "cheap and nasty," with barbarous sanitary arrangements and surroundings. As time has passed they have become dilapidated and more and more deplorable in appearance, condition, and surroundings. In some parts, bad as they are, there are too few of them, with the result that there is deplorable overcrowding, and the whole position and condition is a scandal. The local authority does little or nothing. The managers of the pit or works usually dominate it directly or indirectly, and such power as the law gives is not used. The Government ought to step in through the Local Government Board and prohibit the overcrowding, and insist that the cottages should be put into and kept in a decent habitable condition or be closed. This would compel the mine- or works-owners to provide proper houses or lose their men.

The moral and personal aspect of this housing problem must not be overlooked. We must not forget that as a nation we spend between £160,000,000 and £170,000,000 a year on intoxicating liquors, and that this enormous sum is equal to the rental value of all the dwelling houses in the United Kingdom. The working classes, as a body, spend as much on drink as on house rent. If they would abolish their drink bill they would be in as good a financial position as if they had houses rent free.

A Fantastic and Ruinous Proposal

In an article in the *Daily Mail Year-Book*, 1914, Mr. Chiozza Money, M.P., says that houses costing £300 are now often let at £28 a year, and that the State could build an "incomparably better" house for the money. He tells us that—

The State could let the £300 house for a gross return of 3 per cent, which would cover repairs and management, and yield a small profit besides to be devoted to further building. Three per cent on £300 is, of course, £9 a year, as compared with the £28 now paid for a worse house. . . . The State could let a £600 house for £18 a year or 7s. a week, and for £600 could be given a beautiful detached residence with two good sitting-rooms and four good bedrooms, furnished with beautiful and appropriate fitments.

It is on this kind of inexperienced and impracticable romancing that socialistic theories are built up. Where a rent of £28 is got for a house costing £300, it is almost certainly a house let on a weekly rent which has to be collected in an industrial district, probably of a large town, where the changes of tenants and the risks of empties

and loss of rent are considerable and the wear and tear great. Ordinary rents are not on that basis. The Government could not build such houses anything like so economically as private enterprise can. Three per cent would be a ridiculous rent for such a house to cover return on capital, a sinking fund to replace the house when worn out, repairs, losses, empties, and cost of collection and management. If the money could be obtained at 3 per cent to build the house, another 3 per cent would have to be added to cover the items we have mentioned. This calculation of Mr. Money's is, however, apparently based on the idea that the Government could obtain the money at $2\frac{1}{2}$ per cent. Certainly it could not do so now. It would have to pay at least $3\frac{1}{2}$ or $3\frac{3}{4}$ per cent. It has been suggested that the National Insurance Funds could be used. If they were used, it would be unjust to the insured persons to invest them at a lower rate than could be obtained for the money in the open market on suitable securities. Further, if the Government, as a matter of general policy, as Mr. Money suggests, began to build houses and let them at 3 per cent on the cost, or any such ridiculous figure, no new houses would be built by any one else. The whole of the problem of the future supply of houses in this country would at once be placed on its back. In addition, and as a consequence, the value of the whole of the existing house property in the country would be reduced by one-half at a blow. This would not only mean a fall of one-half in the rateable value of that property, and consequently in the amount that would be receivable from it in rates, income tax, and inhabited house duty, but it would mean the infliction of a loss of something like £1,250,000,000 on the owners of property in the United Kingdom by depreciation of its capital value. A large portion of this loss would fall upon Building Societies, Friendly Societies, Insurance Societies, and small investors among the artisan and smaller middle classes sections of the community.

Leasehold Business Premises

Reference has already been made to some of the difficulties which arise in connection with leasehold premises. In so far as they are business premises it would be equitable to arrange that except for good and sufficient reason the occupier of business premises, whether they were leasehold or freehold, should not be turned out of them so long as he complied with the conditions of a reasonable agreement and paid the market rental value of the property. It would follow from this that arrangements would have

to be made for determining the market value of the property in cases where the landlord and the tenant failed to come to an agreement. With regard to improvements made by the tenant, subject to equitable conditions and safeguards, it would be fair that the landlord should compensate him for them in so far as they were a permanent and genuine addition to the value of the property. If the expenditure of the tenant, though it had been considerable and had made the premises more suitable for his particular purpose, had not really increased the letting value of the property, no compensation for that expenditure should be payable unless the landlord was terminating the tenancy against the will of the tenant and the tenant was willing to pay what had been determined to be a fair rent. The owner should also be protected against being compelled to pay for outlay on his property which he could not afford by having the option of offering to sell the property to the tenant at its fair market value apart from the improvements for which compensation was demanded. Much of the business property of the country belongs to comparatively small middle-class people, and to call upon them to provide large sums because it had suited the interest of a tenant to expend a great deal of money in altering and enlarging their premises would often be inequitable, and might impose a charge upon them which they could not meet. The conditions and safeguards attached to the arrangements would have to be very carefully considered. Subject to that, the general principle of the proposal is sound and equitable.

The restrictions which are found in most ground leases, and the fees and expenses which are charged when permission is desired to do anything in connection with the property for which the sanction of the landlord is required, are often unreasonable and very exasperating. A small army of estate stewards, lawyers, surveyors, and architects wax fat out of this kind of thing. It is felt to be an anomaly and an injustice. If the landlord inserts these provisions in his leases for his own protection, and also requires that every application which a leaseholder makes shall be examined and reported upon by his professional advisers, he ought to bear the cost of much of this protection of his interests and ought not to be able to charge it upon his tenant because, in order to spare himself trouble and responsibility, he hands over the management of his property entirely or largely to others. That is a luxury and a relief for which he and not his tenants ought to pay. The employment by the owner of an architect to see that damage is not done

and that the work is properly executed when considerable structural alterations are made is another matter. That, of course, should be paid for by those who make the alteration. As a matter of fact, the owner often knows little or nothing of the schemes of fees and charges which were instituted and are perpetuated by a whole army of men who live by this method of legalised extortion.

Repairs and Dilapidations

Questions of decorations, repairs, maintenance, and dilapidations are sources of much irritation, dispute, and complaint. Frequently there is lack of a precise and clear understanding. A building, say a dwelling house, is a property which requires frequent repair and decoration to keep it in good tenantable condition. Even then it is a wasting security. In course of time, houses wear out or become antiquated or unsuitable for the locality, and have to be rebuilt. Clearly the rent paid must be sufficient to give a satisfactory return upon the cost of the premises, after allowance has been made for the risk of them being unlet and provision has been made for replacing the cost when the building is worn out. In addition to this, provision must be made for keeping the building and its fittings, inside and out, in good repair, and for papering and painting it at regular intervals. If the owner is to do this the rent must be correspondingly increased. In the alternative, the tenant must do the necessary repairs, decorations, and maintenance, and leave the premises as spick and span for a new tenant as they were for him.

Trouble arises because, on the one hand, in the majority of cases the rent paid is not sufficient to show a proper commercial return on the cost of the premises and leave a sufficient margin to enable the owner to do the repairs and decorations. The result, in most cases, is that they are not done properly. On the other, where the tenant takes a lease and covenants to do the repairs it is extremely seldom that he complies fully with the conditions of his lease. When the term expires and he is called upon to leave the house in thorough repair for a new tenant, he usually considers he has a great grievance and complains bitterly. He has no ground for so doing. The rent he paid was a bare commercial return on the cost of the house; the repairs, maintenance, and decorations are an additional cost—a cost which must be borne by the tenant in some form or other, or the return on property will cease to be a commercial one and people will cease to build and buy houses. The difficulty

is that people are apt to overlook this and regard the rent as covering everything, except rates and taxes, when it obviously does not. What does seem inequitable and is very difficult to justify, except on strictly legal grounds, is the making of a heavy charge for dilapidations when a ground lease is expiring and the property is about to be pulled down. That is always resented and regarded as an imposition which is rendered possible by a provision in the lease which was not intended for that purpose.

What is required

What is required is that the relations between landlords and tenants should be adjusted to those which all fair-minded owners and honourable tenants would desire them to be. In the great majority of cases that is what they are. But there are exceptions ; and it is for the exceptional cases that an amendment of the law is required to prevent injustice being done. It must not be imagined, however, that the risk of injustice and hardship is all on one side, or that the law, as it now stands, is all in favour of the landlord. There are unreasonable tenants as well as unreasonable landlords. Some of the stories of alleged hardship as regards tenants are true. With regard to most of them there is, however, another side, about which usually nothing is said by those who are stating the grievance, but which puts a very different complexion upon it, when all the facts are known. Property, as an investment, is anything but a gold-mine, and its management is by no means a sinecure. Few things are more troublesome and disappointing. The tenant sees one side of the picture ; the side which meets the eye of the owner presents a very different aspect.

Given thoroughly competent and really impartial tribunals to which in case of necessity appeal could be made without risk of being involved in heavy legal and other professional expenses, and there is little or nothing to which any reasonable man need object in the proposal to constitute such an authority. What a just landlord wants is a proper and equitable rent for his property. A fair-minded tenant will expect and be prepared to pay a proper and equitable rent. If they cannot quite agree as to what amount of rent fulfils those conditions, it is a reasonable suggestion that a competent authority should be available to determine, expeditiously and inexpensively, this and similar matters for them, on being appealed to. It would, of course, be necessary that there should be, in the last resort, an appeal to a higher tribunal from a decision of

the tribunal of first instance. These tribunals need not be—indeed, perhaps, they should not be—ordinary law courts; but there should be a representative of the legal element on them. Further, they must not consist of removable officials. They must not be subject to popular or political influence.

Everything would depend on the constitution of the tribunals and the spirit in which they approached their work. It would not have to be assumed that they were appointed to reduce rents. It would have to be quite as competent for them to increase them. If power were given them to determine the terms on which a leaseholder should be allowed to acquire the freehold of the property he occupied, it would almost invariably be found that the terms would be very different from what the tenant imagined they would be. Many of the alleged grievances and injustices are thought to be so simply because those who make the complaint have failed to understand the real facts and position of the matter. It would be a great advantage to all concerned to have the opinion of an independent and competent authority in such cases. It would remove much misapprehension.

Fair Treatment for every one

Fair treatment for everybody is what all honourable men desire. That can be secured, and there should be no serious difficulty in securing it, if the whole of the very difficult and complicated problem be approached in the spirit of Sir Edward Grey's speech to his constituents on October 27, 1913, in the course of which he said :

I would say, when you are dealing with land reform and you find it necessary to interfere with the individual owner or with the mortgagee, or whoever it may be, you should do it in such a way as not to make him a poorer man. You do not confiscate, you do not take money out of his pocket, but you say, in cases where land is wanted for a public purpose, "The community needs your land. We will treat you fairly and will pay you a fair price for your land, but we must have that land if it is wanted for public purposes, and must get it easily and at a fair price."

CHAPTER IV

CONCLUSION

THERE is a standard of fairness and honour which all honest men either know full well or can easily discover if they wish ; and it should be a matter of conscience for all good citizens to measure their conduct by it, and for Parliament and all public authorities to enforce it. From time to time changes and revisions in existing laws and institutions become necessary. In so far as the well-being of the community demands them they must be made, and no claim of vested interest or of personal right must be allowed to block the way. This is especially the case with regard to questions affecting land. But that interests and rights should not be allowed to block the way does not mean that they should be ignored or that property should be confiscated. All it means is that if property of any kind is required for public use, or if the public interest requires that it should be used in a particular way or devoted to a particular purpose, it should be so acquired and used, subject to fair and equitable compensation being given to those who are thereby deprived of property and rights which are valuable to them.

Responsibility for the Past must be accepted

To attempt to justify inflicting loss and injury upon innocent persons because in centuries long ago some one did something which we think ought not to have been done, and the community sanctioned, permitted, or did things which we think were undesirable and even wrong, would be inequitable in the extreme and would shake the foundations of the social structure. The present generation are the heirs of the past, and in accepting its assets, its benefits, the results of its wisdom and the accumulation of its resources and its experience they must also take upon themselves the burden of its liabilities, its disadvantages, and its errors. We must do so, not least, because

we cannot now form a just judgment with regard to what was then done, inasmuch as it is impossible for us to place ourselves in the position of those who lived and acted and were responsible in the distant past—we must always consider and discuss it and form our opinion about it with the knowledge of what has happened since before us—and because it is impossible to go back to the conditions which then prevailed. We cannot put things where they were and begin again ; and so much has happened in every direction, resulting from and based upon what was done then, that any attempt to rectify an error of the past—supposing there was one—by reversing it now, without recognising what has been built up on and done in consequence of it, would only be to remedy an old past injustice or error by inflicting a new, present, and most probably a far greater injustice upon others to-day.

The community as a whole must take the responsibility for the past. It cannot receive and accept what it likes and ignore or reject what it dislikes. It cannot accept the assets without also accepting responsibility for the debts. Things must be taken as they are and be dealt with honourably and honestly as they have come down to us. They may, they do need revision and reform ; but it must be done fairly and equitably. If we are to rob some one to-day because some of his ancestors or predecessors in possession once robbed some one else, it will be difficult to know where we shall end. It will be difficult to find any one amongst us, no matter how exalted or humble his pedigree, who, at some time or another, had not ancestors who were murdering, thieving ruffians, some of whom were, and more undoubtedly deserved to be, hanged. Things as they now are are the growth of ages. Our laws and the conditions which they have created have slowly evolved through the centuries, and are the result of the work, thought, and struggles of scores of generations of people. We are not responsible for them. We have received them ; and to attempt to penalise and punish any one class or section of our people to-day because our laws and social conditions have been so handed down to us would be to perpetrate a criminal wrong.

Abuse of Land-Owners Unfair and Impolitic

The laws affecting the ownership, tenure, and taxation of land and buildings require amendment. In order to demonstrate and secure that, it is not necessary to attack and denounce the owners of that class of property and hold them up to obloquy and scorn. It

is as unfair and unjust as it is unnecessary and impolitic. Land-owners are very much like other people. Taking them as a whole, the land-owners of England will bear comparison with any other class in this country or any other. They have their faults ; who has not ? There are black sheep amongst them ; in what class are there none ? Things have been done by some of them or in their name which are reprehensible ; of what section of the community cannot the same thing be said ? All this simply means that they are human, and are afflicted with a share of the faults and weaknesses which characterise so many of us. Take them all in all, they are as good as the rest of us—neither better nor worse. So far as there is a difference, it is that their position and advantages have perhaps caused the public, and especially those of their own social order, to require of them a higher standard of public and private conduct and duty than is exacted from those whose station in life is more humble.

It is equally unnecessary and misleading to create or leave an impression that tenants and occupiers of land and buildings are beings of a superior moral order, quite deserving a special robe and a halo. To do that would be to distort and misrepresent the facts, and until the facts are seen as they are, and in their real proportions and true perspective, there will be no possibility of dealing with them equitably and effectively. Tenants are neither better nor worse than landlords. There are bad and good ones among both. Every story of harsh and unfair treatment by landlords can be matched by one of fraud and damage by and loss through tenants. It has been said, with a good deal of truth, that if you wish to do a man a bad turn you should leave him half a dozen cottages with a mortgage on them in a poor neighbourhood on condition that he manages them and collects the rents himself weekly. There can be no question that for an ordinary person property is an unsatisfactory investment. Much house property has been sold during the last three years at considerably less than it would cost to erect the buildings alone, without adding anything for the value of the land. The popular idea that property in growing towns and cities is always increasing in value is a great delusion. The decreases which take place in value are sometimes appalling and ruinous. Some people talk as though the ownership of land, and especially of town property, was the high road to opulence. If land, and especially urban property, is such a splendid investment, if it is always steadily increasing in value, why do not some of those who talk so glibly about it sell their other investments and put their

money into this "continually improving security"? There is an abundance of it in the market. If they will announce themselves as buyers they will find that any number of sellers will be anxious to secure a customer.

The truth is that the vast majority of landlords and tenants are reasonable, just, and honourable people who desire and get an equitable bargain and fair treatment. They approach the question of renting or buying property from different points of view, and naturally each of them is apt to exaggerate what is of importance to him, and to overlook and underestimate those phases of the transaction which are disadvantages to the other party to it. The one gets what he can, the other pays what he must. It is inevitable that there should be grumbling. There always is and always will be where there are business transactions. Certainly the Government does not contrive to avoid complaint in its capacity as a land-owner, as an urban landlord, as an employer, as a purchaser of supplies, as the proprietor of the postal, telegraph, and telephone service, and as a collector of public revenue. In each one of these capacities it is subject to criticism and denunciation quite as severe and apparently, at least, as well founded as that which is directed against land-owners and landlords. As is the case with the Government so with landlords and tenants, some of the complaints are justified and reform and improvement is possible and necessary; but there is no justification for widespread wholesale denunciation of a class of people who are at least as honourable, just, and generous as those who assail them.

How Injury may be done

It is in the public interest that capital should flow freely into investment in land and buildings as well as into other businesses and enterprises. Cheap capital is the life-blood of extension and development. Whether capital is cheap or dear, speaking of it generally and for all purposes, depends, of course, on the demand for it and the supply of it. Whether the supply of it at a low market rate will be ample for any particular class of investment or enterprise—say buildings and the development of building estates—will depend very largely on the character of the security that is offered and the prospect there is of a safe and remunerative return. Make the investment uncertain, create doubt as to its permanence and stability, impose or create conditions which will render an adequate return doubtful, and pour contumely and abuse upon those who make that

particular investment, and the flow of capital in that direction will at once be checked, with the result that a much higher return will be required upon so much as remains available. This means, in the case mentioned, that all progress in connection with land and buildings will be hampered and rendered more costly, and consequently that every industry will be shackled.

It is an elementary condition of our economic life which is often forgotten or ignored, that unless industries and enterprises pay they will not be undertaken or carried on, and that if they do pay artificial stimulus and help is not required and is quite as likely to be injurious as beneficial. The real difficulty of the housing problem to-day is that many of those who require cottages cannot pay a rent that will show a commercial return upon the cost of erecting and maintaining them. Any legislation, any policy, any propaganda, and the creation of any public opinion that checks the investment of capital in land and buildings and diverts it into other channels, must inevitably make capital more difficult to obtain for building houses, must thereby make houses dearer and rents higher, and must therefore increase the difficulty of the housing problem, and consequently be detrimental to the well-being of the country and check its progress and development.

As we have again and again said, reforms are necessary ; some of them are urgent ; but if they are to be honestly, honourably, efficiently, and beneficially effected they must not be carried through at the cost of punishing, penalising, and defrauding one class or section of the community. Such cost and loss as is unavoidable—and it will not be great if prudence and foresight be exercised—must be borne by the community as a whole, except in so far as it is the result of economic changes to which all industries, enterprises, and investments are liable. It is only reasonable and fair that the public as a whole should accept their share of responsibility for much of which they now complain. Much which it is now desired to alter and for which we are all apt to blame others is really largely due, not so much to those who are blamed as to the short-sightedness and lack of wisdom of the community itself.

Two Illustrations

Take two instances as illustrations. There is general agreement that, in working-class districts of urban areas in particular, houses are far too closely crowded together. Streets, roads, passages, and backways are far too narrow, yards are too small ; courtyards,

alleys, and cul-de-sacs are objectionable. Who is to blame for the existence of these conditions? Chiefly, if not entirely, the community represented by the law of the land when these properties were built. The law not only permitted what was done; in many cases it specified the conditions which had to be complied with. To do that was practically to set a standard which could not well be exceeded. After all, building houses is a commercial undertaking. If the law allows a builder to erect 40 houses on an acre of land, it is clear that another builder cannot put only 20 houses of the same size on a similar acre and let them at the same rent. Competition will drive him to do as others do. What the law permits one builder to do is practically what it compels another to do. The number of houses which a builder is allowed to erect on a given area of land is determined by the street, yard, and air and light space which he is compelled to provide. That determines the price he can give and the price the owner can get for the land. It also determines the price which other builders must give; and having bought the land at a price based on putting say 40 cottages on it, they cannot very well limit themselves to say 18, 20, or 25. The only way to prevent the overcrowding of buildings on land, narrow streets, small yards, and insufficient light and air space is by prohibiting the erection of buildings under conditions which will produce such results. To permit it is to render them almost inevitable; and consequently is to be responsible for them. The community, having not only sanctioned but rendered almost unavoidable the overcrowding of buildings in urban areas, is not justified in turning round afterwards and demanding the rectification of that error and neglect of duty on its part at the cost of the purchasers of the property from those who, when the buildings were erected, complied with the requirements of the law and were driven to build as closely as they did by the competition of others whom the law permitted to crowd dwellings together.

One of the reasons why railway rates and fares cannot be reduced is the heavy capital outlay that was involved in obtaining powers and constructing the lines. A large part of that outlay was due to the enormous cost to which Parliament put the companies by the procedure which it adopted and the conditions which it imposed. The Parliamentary expenses alone were enormous. The fear of them provided abundant openings for what was little better than blackmail on the part of land- and property-owners, local authorities, and the community generally. Everybody regarded a railway

company as fair game. The attitude of local authorities and the general public was often unreasonably obstructive. Sometimes opposition had to be bought off in various ways—always expensive : at others, stations and lines were kept at a distance from towns, with the result that afterwards enormous cost had to be incurred by the companies to redeem the error. It is not generally known that the London and North-Western Railway would have had its terminus not far from Ludgate Circus, instead of at Euston, but for the fierce opposition the proposal met with. Its first London terminus was at Chalk Farm, but in 1835 Parliament was induced to consent to the line being carried to its present terminus in what was then Euston Grove. But the concession was only granted on condition that no engines came south of Chalk Farm. Thus it was that, until the year 1845, the carriages of the London and North-Western were worked between Euston and Chalk Farm by means of an endless cable operated by a stationary engine two miles from the terminus !

To this day, whenever a railway, an electric, or a tramway company, or a dock board, or any similar body, applies to Parliament to commence or extend operations it is at once set upon by local authorities and the general public and the members of Parliament who represent them, for the purpose of imposing conditions and exacting concessions which are always hampering, restrictive, and costly. These good people honestly think they are serving the public interest, just as similar people did seventy or eighty years ago when they kept railways out of areas which they would afterwards have given their ears to get them into. As a matter of fact, they are doing an infinitude of harm. They add greatly to the cost of the undertakings, and, consequently, inevitably to the fares, rates, tolls, and charges which they and others will have to pay for all time. They also deter enterprise, prevent extension, and obstruct development. Then, forsooth, these same people afterwards attack these undertakings on account of conditions, short-comings, and charges which are largely, and sometimes entirely, the result of their own short-sighted action. They have yet to learn the simple truth that they cannot eat their cake and have it. If costly conditions are exacted, the enterprises must have larger receipts to pay for them. That means that these worthy people who think that they are cleverly securing something for the public for nothing are really only securing expenditure or limiting receipts for which the public will certainly have to pay.

Conclusion

If the solution of the many complicated and thorny problems which surround those phases of the ownership, tenure, and taxation of land which we have been considering is approached with knowledge and a fair mind, avoiding on the one hand any idea that land and land-owners are sacrosanct and that our land laws and customs came down from Sinai, and on the other any desire to foment class hatred or promote a policy of pillage of one section of the community for the supposed benefit of the others, there is no reason why, with very general assent, there should not be such changes made and such conditions established as would bring about much-needed improvements that would benefit the whole community, and not least that patient and long-suffering class of humble and extremely worthy folk who cultivate the soil of our country.

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