

## LAND AND INCOME TAXES IN THE BUDGET [ToC](#)

EDINBURGH, *July 17, 1909*

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We are often assured by sagacious persons that the civilisation of modern States is largely based upon respect for the rights of private property. If that be true, it is also true that such respect cannot be secured, and ought not, indeed, to be expected, unless property is associated in the minds of the great mass of the people with ideas of justice and of reason.

It is, therefore, of the first importance to the country—to any country—that there should be vigilant and persistent efforts to prevent abuses, to distribute the public burdens fairly among all classes, and to establish good laws governing the methods by which wealth may be acquired. The best way to make private property secure and respected is to bring the processes by which it is gained into harmony with the <sup>[319]</sup>general interests of the public. When and where property is associated with the idea of reward for services rendered, with the idea of recompense for high gifts and special aptitudes displayed or for faithful labour done, then property will be honoured. When it is associated with processes which are beneficial, or which at the worst are not actually injurious to the commonwealth, then property will be unmolested; but when it is associated with ideas of wrong and of unfairness, with processes of restriction and monopoly, and other forms of injury to the community, then I think that you will find that property will be assailed and will be endangered.

A year ago I was fighting an election in Dundee. In the course of that election I attempted to draw a fundamental distinction between the principles of Liberalism and of Socialism, and I said "Socialism attacks capital; Liberalism attacks monopoly." And it is from that fundamental distinction that I come directly to the land proposals of the present Budget.

It is quite true that the land monopoly is not the only monopoly which exists, but it is by far the greatest of monopolies; it is a perpetual monopoly, and it is the <sup>[320]</sup>mother of all other forms of monopoly. It is quite true that unearned increments in land are not the only form of unearned or undeserved profit which individuals are able to secure; but it is the principal form of unearned increment, derived from processes, which are not merely not beneficial, but which are positively detrimental to the general public. Land, which is a necessity of human existence, which is the original source of all wealth, which is strictly limited in extent, which is fixed in geographical position—land, I say, differs from all other forms of property in these primary and fundamental conditions.

Nothing is more amusing than to watch the efforts of our monopolist opponents to prove that other forms of property and increment are exactly the same and are similar in all respects to the unearned increment in land. They talk to us of the increased profits of a doctor or a lawyer from the growth of population in the towns in which they live. They talk to us of the profits of a railway through a greater degree of wealth and activity in the districts through which it runs. They tell us of the profits which are derived from a rise in stocks and shares, and even of those which [321]are sometimes derived from the sale of pictures and works of art, and they ask us—as if it were their only complaint—“Ought not all these other forms to be taxed too?”

But see how misleading and false all these analogies are. The windfalls which people with artistic gifts are able from time to time to derive from the sale of a picture—from a Vandyke or a Holbein—may here and there be very considerable. But pictures do not get in anybody's way. They do not lay a toll on anybody's labour; they do not touch enterprise and production at any point; they do not affect any of those creative processes upon which the material well-being of millions depends. And if a rise in stocks and shares confers profits on the fortunate holders far beyond what they expected, or, indeed, deserved, nevertheless, that profit has not been reaped by withholding from the community the land which it needs, but, on the contrary, apart from mere gambling, it has been reaped by supplying industry with the capital without which it could not be carried on.

If the railway makes greater profits, it is usually because it carries more goods and more passengers. If a doctor or a lawyer enjoys a better practice, it is because the [322]doctor attends more patients and more exacting patients, and because the lawyer pleads more suits in the courts and more important suits. At every stage the doctor or the lawyer is giving service in return for his fees; and if the service is too poor or the fees are too high, other doctors and other lawyers can come freely into competition. There is constant service, there is constant competition; there is no monopoly, there is no injury to the public interest, there is no impediment to the general progress.

Fancy comparing these healthy processes with the enrichment which comes to the landlord who happens to own a plot of land on the outskirts or at the centre of one of our great cities, who watches the busy population around him making the city larger, richer, more convenient, more famous every day, and all the while sits still and does nothing! Roads are made, streets are made, railway services are improved, electric light turns night into day, electric trams glide swiftly to and fro, water is brought from reservoirs a hundred miles off in the mountains—and all the while the landlord sits still. Every one of those improvements is effected by the labour and at the cost of other people. Many of the most important [323]are effected at the cost of the municipality and of the ratepayers. To not one of those improvements does the land monopolist, as a land monopolist, contribute, and yet by every one of them the value of his land is sensibly enhanced.

He renders no service to the community, he contributes nothing to the general welfare, he contributes nothing even to the process from which his own enrichment is derived. If the land were occupied by shops or by dwellings, the municipality at least would secure the rates upon them in aid of the general fund; but the land may be unoccupied, undeveloped, it may be what is called "ripening"—ripening at the expense of the whole city, of the whole country—for the unearned increment of its owner. Roads perhaps have to be diverted to avoid this forbidden area. The merchant going to his office, the artisan going to his work, have to make a detour or pay a tram fare to avoid it. The citizens are losing their chance of developing the land, the city is losing its rates, the State is losing its taxes which would have accrued, if the natural development had taken place—and that share has to be replaced at the expense of the other ratepayers and [324]taxpayers; and the nation as a whole is losing in the competition of the world—the hard and growing competition in the world—both in time and money. And all the while the land monopolist has only to sit still and watch complacently his property multiplying in value, sometimes manifold, without either effort or contribution on his part. And that is justice!

But let us follow the process a little farther. The population of the city grows and grows still larger year by year, the congestion in the poorer quarters becomes acute, rents and rates rise hand in hand, and thousands of families are crowded into one-roomed tenements. There are 120,000 persons living in one-roomed tenements in Glasgow alone at the present time. At last the land becomes ripe for sale—that means that the price is too tempting to be resisted any longer—and then, and not till then, it is sold by the yard or by the inch at ten times, or twenty times, or even fifty times, its agricultural value, on which alone hitherto it has been rated for the public service.

The greater the population around the land, the greater the injury which they have sustained by its protracted denial, [325]the more inconvenience which has been caused to everybody, the more serious the loss in economic strength and activity, the larger will be the profit of the landlord when the sale is finally accomplished. In fact you may say that the unearned increment on the land is on all-fours with the profit gathered by one of those American speculators who engineer a corner in corn, or meat, or cotton, or some other vital commodity, and that the unearned increment in land is reaped by the land monopolist in exact proportion, not to the service, but to the disservice done.

It is monopoly which is the keynote; and where monopoly prevails, the greater the injury to society, the greater the reward of the monopolist will be. See how this evil process strikes at every form of industrial activity. The municipality, wishing for broader streets, better houses, more healthy, decent, scientifically planned towns, is made to pay, and is made to pay in exact proportion, or to a very great extent in proportion, as it has exerted itself in the past to make improvements. The more it has improved the town, the more it has increased the land value, and the more it will have to pay for any land it may wish to [326]acquire. The manufacturer purposing to start a

new industry, proposing to erect a great factory offering employment to thousands of hands, is made to pay such a price for his land that the purchase-price hangs round the neck of his whole business, hampering his competitive power in every market, clogging him far more than any foreign tariff in his export competition; and the land values strike down through the profits of the manufacturer on to the wages of the workman. The railway company wishing to build a new line finds that the price of land which yesterday was only rated at its agricultural value has risen to a prohibitive figure the moment it was known that the new line was projected; and either the railway is not built, or, if it is, is built, only on terms which largely transfer to the landowner the profits which are due to the shareholders and the advantages which should have accrued to the travelling public.

It does not matter where you look or what examples you select, you will see that every form of enterprise, every step in material progress, is only undertaken after the land monopolist has skimmed the cream off for himself, and everywhere to-day the man, or the public body, who wishes to put <sup>[327]</sup>land to its highest use is forced to pay a preliminary fine in land values to the man who is putting it to an inferior use, and in some cases to no use at all. All comes back to the land value, and its owner for the time being is able to levy his toll upon all other forms of wealth and upon every form of industry. A portion, in some cases the whole, of every benefit which is laboriously acquired by the community is represented in the land value, and finds its way automatically into the landlord's pocket. If there is a rise in wages, rents are able to move forward, because the workers can afford to pay a little more. If the opening of a new railway or a new tramway, or the institution of an improved service of workmen's trains, or a lowering of fares, or a new invention, or any other public convenience affords a benefit to the workers in any particular district, it becomes easier for them to live, and therefore the landlord and the ground landlord, one on top of the other, are able to charge them more for the privilege of living there.

Some years ago in London there was a toll-bar on a bridge across the Thames, and all the working people who lived on the south side of the river, had to pay <sup>[328]</sup>a daily toll of one penny for going and returning from their work. The spectacle of these poor people thus mulcted of so large a proportion of their earnings appealed to the public conscience: an agitation was set on foot, municipal authorities were roused, and at the cost of the ratepayers the bridge was freed and the toll removed. All those people who used the bridge were saved *6d.* a week. Within a very short period from that time the rents on the south side of the river were found to have advanced by about *6d.* a week, or the amount of the toll which had been remitted. And a friend of mine was telling me the other day that in the parish of Southwark about £350 a year, roughly speaking, was given away in doles of bread by charitable people in connection with one of the churches, and as a consequence of this the competition for small houses, but more

particularly for single-roomed tenements is, we are told, so great that rents are considerably higher than in the neighbouring district.

All goes back to the land, and the landowner, who in many cases, in most cases, is a worthy person utterly unconscious of the character of the methods by which he is enriched, is enabled with resistless strength [329]to absorb to himself a share of almost every public and every private benefit, however important or however pitiful those benefits may be.

I hope you will understand that when I speak of the land monopolist, I am dealing more with the process than with the individual landowner. I have no wish to hold any class up to public disapprobation. I do not think that the man who makes money by unearned increment in land, is morally a worse man than any one else, who gathers his profit where he finds it, in this hard world under the law and according to common usage. It is not the individual I attack; it is the system. It is not the man who is bad; it is the law which is bad. It is not the man who is blameworthy for doing what the law allows and what other men do; it is the State which would be blameworthy, were it not to endeavour to reform the law and correct the practice. We do not want to punish the landlord. We want to alter the law. Look at our actual proposal.

We do not go back on the past. We accept as our basis the value as it stands to-day. The tax on the increment of land begins by recognising and franking all past increment. We look only to the future; and for [330]the future we say only this: that the community shall be the partner in any further increment above the present value after all the owner's improvements have been deducted. We say that the State and the municipality should jointly levy a toll upon the future unearned increment of the land. A toll of what? Of the whole? No. Of a half? No. Of a quarter? No. Of a fifth—that is the proposal of the Budget. And that is robbery, that is plunder, that is communism and spoliation, that is the social revolution at last, that is the overturn of civilised society, that is the end of the world foretold in the Apocalypse! Such is the increment tax about which so much chatter and outcry are raised at the present time, and upon which I will say that no more fair, considerate, or salutary proposal for taxation has ever been made in the House of Commons.

But there is another proposal concerning land values which is not less important. I mean the tax on the capital value of undeveloped urban or suburban land. The income derived from land and its rateable value under the present law depend upon the use to which the land is put. In consequence, income and rateable value are not [331]always true or complete measures of the value of the land. Take the case to which I have already referred, of the man who keeps a large plot in or near a growing town idle for years, while it is "ripening"—that is to say, while it is rising in price through the exertions of the surrounding community and the need of that community for more room to live. Take that case. I daresay you have formed your own opinion upon it. Mr. Balfour, Lord Lansdowne, and the Conservative Party generally, think that that is an admirable

arrangement. They speak of the profits of the land monopolist, as if they were the fruits of thrift and industry and a pleasing example for the poorer classes to imitate. We do not take that view of the process. We think it is a dog-in-the-manger game. We see the evil, we see the imposture upon the public, and we see the consequences in crowded slums, in hampered commerce, in distorted or restricted development, and in congested centres of population, and we say here and now to the land monopolist who is holding up his land—and the pity is, it was not said before—you shall judge for yourselves whether it is a fair offer or not—we say to the land monopolist: "This property of [332]yours might be put to immediate use with general advantage. It is at this minute saleable in the market at ten times the value at which it is rated. If you choose to keep it idle in the expectation of still further unearned increment, then at least you shall be taxed at the true selling value in the meanwhile." And the Budget proposes a tax of a halfpenny in the pound on the capital value of all such land; that is to say, a tax which is a little less in equivalent, than the income-tax would be upon the property, if the property were fully developed.

That is the second main proposal of the Budget with regard to the land; and its effects will be, first, to raise an expanding revenue for the needs of the State; secondly that, half the proceeds of this tax, as well as of the other land taxes, will go to the municipalities and local authorities generally to relieve rates; thirdly, the effect will be, as we believe, to bring land into the market, and thus somewhat cheapen the price at which land is obtainable for every object, public and private. By so doing we shall liberate new springs of enterprise and industry, we shall stimulate building, relieve overcrowding, and promote employment.

These two taxes, both in themselves [333]financially, economically, and socially sound, carry with them a further notable advantage. We shall obtain a complete valuation of the whole of the land in the United Kingdom. We shall procure an up-to-date Domesday-book showing the capital value, apart from buildings and improvements, of every piece of land. Now, there is nothing new in the principle of valuation for taxation purposes. It was established fifteen years ago in Lord Rosebery's Government by the Finance Act of 1894, and it has been applied ever since without friction or inconvenience by Conservative administrations.

And if there is nothing new in the principle of valuation, still less is there anything new or unexpected in the general principles underlying the land proposals of the Budget. Why, Lord Rosebery declared himself in favour of taxation of land values fifteen years ago. Lord Balfour has said a great many shrewd and sensible things on this subject which he is, no doubt, very anxious to have overlooked at the present time. The House of Commons has repeatedly affirmed the principle, not only under Liberal Governments, but—which is much more remarkable—under a [334]Conservative Government. Four times during the last Parliament Mr. Trevelyan's Bill for the taxation of land values was brought before the House of Commons and fully discussed, and

twice it was read a second time during the last Parliament, with its great Conservative majority, the second time by a majority of no less than ninety votes. The House of Lords, in adopting Lord Camperdown's amendment to the Scottish Valuation Bill, has absolutely conceded the principle of rating undeveloped land upon its selling value, although it took very good care not to apply the principle; and all the greatest municipal corporations in England and Scotland—many of them overwhelmingly Conservative in complexion—have declared themselves in favour of the taxation of land values; and now, after at least a generation of study, examination, and debate, the time has come when we should take the first step to put these principles into practical effect. You have heard the saying "The hour and the man." The hour has come, and with it the Chancellor of the Exchequer.

I have come to Scotland to exhort you to engage in this battle and devote your whole energy and influence to securing a memorable victory. Every nation in the world <sup>[335]</sup>has its own way of doing things, its own successes and its own failures. All over Europe we see systems of land tenure which economically, socially, and politically are far superior to ours; but the benefits that those countries derive from their improved land systems are largely swept away, or at any rate neutralised, by grinding tariffs on the necessaries of life and the materials of manufacture. In this country we have long enjoyed the blessings of Free Trade and of untaxed bread and meat, but against these inestimable benefits we have the evils of an unreformed and vicious land system. In no great country in the new world or the old have the working people yet secured the double advantage of free trade and free land together, by which I mean a commercial system and a land system from which, so far as possible, all forms of monopoly have been rigorously excluded. Sixty years ago our system of national taxation was effectively reformed, and immense and undisputed advantages accrued therefrom to all classes, the richest as well as the poorest. The system of local taxation to-day is just as vicious and wasteful, just as great an impediment to enterprise and progress, just as harsh a burden upon the poor, as the <sup>[336]</sup>thousand taxes and Corn Law sliding scales of the "hungry 'forties." We are met in an hour of tremendous opportunity. "You who shall liberate the land," said Mr. Cobden, "will do more for your country than we have done in the liberation of its commerce."

You can follow the same general principle of distinguishing between earned and unearned increment through the Government's treatment of the income-tax. There is all the difference in the world between the income which a man makes from month to month or from year to year by his continued exertion, which may stop at any moment, and will certainly stop, if he is incapacitated, and the income which is derived from the profits of accumulated capital, which is a continuing income irrespective of the exertion of its owner. Nobody wants to penalise or to stigmatise income derived from dividends, rent, or interest; for accumulated capital, apart from monopoly, represents the exercise of thrift and prudence, qualities which are only less valuable to the community than

actual service and labour. But the great difference between the two classes of income remains. We are all sensible of it, and we think that <sup>[337]</sup>that great difference should be recognised when the necessary burdens of the State have to be divided and shared between all classes.

The application of this principle of differentiation of income-tax has enabled the present Government sensibly to lighten the burden of the great majority of income-tax payers. Under the late Conservative Government about 1,100,000 income-tax payers paid income-tax at the statutory rate of a shilling in the pound. Mr. Asquith, the Prime Minister, when Chancellor of the Exchequer, reduced the income-tax in respect of earned incomes under £2,000 a year from a shilling to ninepence, and it is calculated that 750,000 income-tax payers—that is to say, nearly three-quarters of the whole number of income-tax payers—who formerly paid at the shilling rate have obtained an actual relief from taxation to the extent of nearly £1,200,000 a year in the aggregate. The present Chancellor of the Exchequer in the present Budget has added to this abatement a further relief—a very sensible relief, I venture to think you will consider it—on account of each child of parents who possess under £500 a year, and that concession involved a further abatement and relief equal <sup>[338]</sup>to £600,000 a year. That statement is founded on high authority, for it figured in one of the Budget proposals of Mr. Pitt, and it is to-day recognised by the law of Prussia.

Taking together the income-tax reforms of Mr. Asquith and Mr. Lloyd-George, taking the two together—because they are all part of the same policy, and they are all part of our treatment as a Government of this great subject—it is true to say that very nearly three out of every four persons who pay income-tax will be taxed after this Budget, this penal Budget, this wicked, monstrous, despoliatory Budget—three out of every four persons will be taxed for income-tax at a lower rate than they were by the late Conservative Government.

You will perhaps say to me that may be all very well, but are you sure that the rich and the very rich are not being burdened too heavily? Are you sure that you are not laying on the backs of people who are struggling to support existence with incomes of upwards of £3,000 a year, burdens which are too heavy to be borne? Will they not sink, crushed by the load of material cares, into early graves, followed there even by the unrelenting hand of the death duties collector? Will they <sup>[339]</sup>not take refuge in wholesale fraud and evasion, as some of their leaders ingenuously suggest, or will there be a general flight of all rich people from their native shores to the protection of the hospitable foreigner? Let me reassure you on these points.

The taxes which we now seek to impose to meet the need of the State will not appreciably affect, have not appreciably affected, the comfort, the status, or even the style of living of any class in the United Kingdom. There has been no invidious singling out of a few rich men for special taxation. The increased burden which is placed upon wealth is evenly and broadly distributed over the whole of that wealthy class who are



more numerous in Great Britain than in any other country in the world, and who, when this Budget is passed, will still find Great Britain the best country to live in. When I reflect upon the power and influence that class possesses, upon the general goodwill with which they are still regarded by their poorer neighbours, upon the infinite opportunities for pleasure and for culture which are open to them in this free, prosperous, and orderly commonwealth, I cannot doubt that they ought to contribute, and I believe that great numbers of them are willing to [340]contribute, in a greater degree than heretofore, towards the needs of the navy, for which they are always clamouring, and for those social reforms upon which the health and contentment of the whole population depend.

And after all, gentlemen, when we are upon the sorrows of the rich and the heavy blows that have been struck by this wicked Budget, let us not forget that this Budget, which is denounced by all the vested interests in the country and in all the abodes of wealth and power, after all, draws nearly as much from the taxation of tobacco and spirits, which are the luxuries of the working classes, who pay their share with silence and dignity, as it does from those wealthy classes upon whose behalf such heartrending outcry is made.

I do not think the issue before the country was ever more simple than it is now. The money must be found; there is no dispute about that. Both parties are responsible for the expenditure and the obligations which render new revenue necessary; and, as we know, we have difficulty in resisting demands which are made upon us by the Conservative Party for expenditure upon armaments far beyond the limits which are [341]necessary to maintain adequately the defences of the country, and which would only be the accompaniment of a sensational and aggressive policy in foreign and in Colonial affairs. We declare that the proposals we have put forward are conceived with a desire to be fair to all and harsh to none. We assert they are conceived with a desire to secure good laws regulating the conditions by which wealth may be obtained and a just distribution of the burdens of the State. We know that the proposals which we have made will yield all the money that we need for national defence, and that they will yield an expanding revenue in future years for those great schemes of social organisation, of national insurance, of agricultural development, and of the treatment of the problems of poverty and unemployment, which are absolutely necessary if Great Britain is to hold her own in the front rank of the nations. The issue which you have to decide is whether these funds shall be raised by the taxation of a protective tariff upon articles of common use and upon the necessaries of life, including bread and meat, or whether it shall be raised, as we propose, by the taxation of luxuries, of superfluities, and monopolies.

[342]I have only one word more to say, and it is rendered necessary by the observations which fell from Lord Lansdowne last night, when, according to the Scottish papers, he informed a gathering at which he was the principal speaker that the House of Lords was not obliged to swallow the Budget whole or without mincing. [18] I ask you to mark that

word. It is a characteristic expression. The House of Lords means to assert its right to mince. Now let us for our part be quite frank and plain. We want this Budget Bill to be fairly and fully discussed; we do not grudge the weeks that have been spent already; we are prepared to make every sacrifice—I speak for my honourable friends who are sitting on this platform—of personal convenience in order to secure a thorough, patient, searching examination of proposals the importance of which we do not seek to conceal. The Government has shown itself ready and willing to meet reasonable argument, not merely by reasonable answer, but when a case is shown, by concessions, and generally in a spirit of goodwill. We have dealt with <sup>[343]</sup>this subject throughout with a desire to mitigate hardships in special cases, and to gain as large a measure of agreement as possible for the proposals we are placing before the country. We want the Budget not merely to be the work of the Cabinet and of the Chancellor of the Exchequer; we want it to be the shaped and moulded plan deliberately considered by the House of Commons. That will be a long and painful process to those who are forced from day to day to take part in it. We shall not shrink from it. But when that process is over, when the Finance Bill leaves the House of Commons, I think you will agree with me that it ought to leave the House of Commons in its final form. No amendments, no excision, no modifying or mutilating will be agreed to by us. We will stand no mincing, and unless Lord Lansdowne and his landlordly friends choose to eat their own mince, Parliament will be dissolved, and we shall come to you in a moment of high consequence for every cause for which Liberalism has ever fought. See that you do not fail us in that hour.

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#### FOOTNOTES:

[18] Lord Lansdowne has since been at pains to explain that he did not use the word "mincing." That word ought to have been "wincing" or "hesitation"—it is not clear which.