



CHAPTER VII

Why Small Holdings Fail

IT WAS NOW ESSENTIAL for Joseph to reconsider the whole theory of small holdings. His conviction that a return to agriculture was essential to a healthy national life and as a preventive of poverty was stronger than ever, but the existing modes of providing small holdings seemed fatally defective. It was important to inquire whether the conditions under which intensive agriculture was carried on in Continental countries would throw light upon and assist the solution of the problem. It seemed clear that the authorities, even with powers of compulsory acquisition, would do little toward providing land.

The first impression of one visiting the gardening districts of Denmark, Holland and Belgium is likely to be misleading. That enormous quantities are produced and placed on the markets goes without saying, and there is the appearance of great prosperity, but matters do not, on closer inspection, turn out to be so satisfactory. The small holders in all these countries receive scant benefit from their labour, and live, in a

large proportion of cases, on the borders of privation. Any satisfactory proposals looking to repopulation of the country must take these facts into account and give some explanation of their cause. The first fact that inquiry discloses is that there are many more would-be small holders than there are small holdings. In other words, there is perpetual competition, the tendency of which is to put the highest premium on merely obtaining land. The one who is willing to sacrifice in the highest degree the benefits of his holding is the one who will obtain it. This keeps the rental value of land so high as to take from the small holder all except the merest livelihood. In some parts of Flanders the price of land before the war had risen to several hundred pounds per acre. In Denmark for many years land values have been rising by leaps and bounds. In the latter country, also, nearly all that the landlord leaves is taken in the form of taxes levied on buildings and equipment. There has been a tendency in Denmark toward reduction of taxes upon improvements, with a slightly heavier impost on land values. But disciples of Henry George in that country are not satisfied with the relatively small amount of progress made in this direction. The cutting up of large estates into smaller parcels has the apparent effect of spreading ownership more widely throughout the community; but the little farms are acquired on terms which burden their new proprietors with mortgage

and interest charges in addition to taxes. It is obvious, then, that small holders, however much they may contribute to the prosperity of a country, participate in that prosperity in only a minimum degree, and so far from relieving the burden of poverty they merely swell it. Joseph saw that the conditions which militate against small holdings, and are even fatal to their success, are land monopoly and the taxing of improvements. That all labour put into a holding merely increases its rental value, which the landlord promptly seizes, and its rateable value, which the collector of taxes quite as promptly takes into account.

Statistics in Denmark show that the small holders produce in live stock alone double the quantity of horned cattle per acre that are produced in the country as a whole, over three times as many pigs, and over twice as many fowls. The movement towards increasing small holdings has been so strong since the beginning of the century that more than half the increase in population is found in the country districts. In spite of this enormous benefit which the community derives from its peasant farmers, both in quality of population and quantity of output, it is a mistake to suppose that they lead anything but a life of poverty. In the long run, therefore, it is a doubtful benefit to any country to establish small holdings to a large extent, unless the workers can be guarded from injustice and assured some fair return for their

labour. To mention Denmark is to produce the very best example. In Norway, Sweden, Switzerland, and Belgium the conditions have been much worse. Even in Denmark the peasant is doomed to frugal fare. He exports to England what he produces in order to have the money to pay his taxes and the interest on his mortgage. The net income of the Danish small holder seldom exceeds fifty pounds a year.

It is interesting, therefore, to discover why it is that intensive culture applied to ten acres produces less net profit than the ordinary tillage of thirty. Expenses are less, as there is not so much ploughing or manuring or harvesting. Moreover, co-operation has made it possible to market with the greatest advantage, at any rate equal to that possessed by the larger farmer. Why, then, if the small holder produces two or three times as much per acre and the cost of production of any given quantity is consequently less, does he not receive a net income at least equivalent to that of his neighbour? It is obvious that there is something wrong if three times the gross revenue per acre that the large holder receives does not net sufficient to maintain the peasant farmer in a relative degree of comfort. Flanders before the war afforded an even more striking example. In this great garden country, with all the advantages of co-operation, only a small percentage were proprietors of their holdings. The remainder paid an increasingly high rental and

were only annual tenants liable to be dispossessed without compensation.

The price of land in these countries has been constantly mounting up, following the rental value which is its chief basis. In Denmark this tendency has been aided by the incidence of taxation. Under the old system there was a tax on land values levied together with rates according to a very old valuation. There was, therefore, an inducement for the owner of the land either to cultivate it himself or else to sell; consequently the price of land remained reasonable. In 1840 the agricultural land was graded into different classes according to value and a land tax imposed for national and local purposes, equal to 2½ d. in the £ on capital value. Being levied on an old assessment and only on land at its agricultural value, the unfairness of it was recognised. In 1902 the landed proprietors took advantage of this to have a tax substituted on land and improvements. This tax, however, was only to come into operation over a period of fifteen years, and has not yet become embodied in the fiscal system. There are signs in Denmark, where a new land valuation is being carried out, that the new land tax will be on the lines of the old one instead of the landlord arrangement of 1902. With the abolition of the old land tax the price of land at once advanced to cover its capitalised value, which was estimated at some forty million pounds. There was no longer an inducement

to sell, and land was gradually withdrawn from the market. In two or three years the price increased 25 to 40 per cent. In order to buy a holding, therefore, it was necessary to sink a larger proportion of ready capital which might have gone into improvement, or else condemn a larger proportion of the labour product to pay interest on mortgage debt. Where improvements were carried out, the new taxes fell upon them, and the small holder's labour had to pay them as well as pay the mortgage burden. The large holder with many acres and few improvements escaped with a small tax per acre, while the small holder with many improvements paid a tax per acre many times higher.

The foregoing considerations throw valuable light upon proposals for State aid in the establishment of small holdings. These are without exception, in one form or another, provisions for State purchase. They usually involve the method of advancing capital at a low rate of interest for the purchase of holdings, and require on the part of the would-be holder a certain proportion of the necessary capital. Invariably the land desired for the purpose advances in price to a quite disproportionate amount. In Denmark very often the land speculator is willing to advance to the purchaser the proportion of capital which he is required to provide, knowing that he will recoup himself when the purchase takes place. The result of this system is a demand for land which forces up its value

instead of increasing the supply and making it cheap and accessible. Government assistance means, therefore, that the peasant may obtain land, but that when obtained he will not be able to make his living upon it. In one of his terse phrases Joseph put the whole matter thus: "Instead of men demanding land, the land must be made to demand men."

His view was that the laws of a country should be so framed that its population may be enabled to make use of that country's land. There are certain well-known facts which gave a point of departure to his conclusions on this point. It is universally true that the conditions of labour are best in a new country where land is cheap and plentiful. Wages are invariably high. Instead of many men competing with each other to secure a piece of work, the work is compelled to look for a man and pay him what he demands. No one is compelled to continue as labourer either in industry or in agriculture, where it is easy to become a land-user and therefore independent. The simple effect upon the labour market, or the demand for men's services, where land is cheap and accessible is very positive, and contains the clue to the whole matter. The same is seen wherever there is any considerable amount of common land. A little while ago the Commission appointed to investigate the scarcity of labour and high wages in Uganda came to the conclusion that both were due to the existence of the re-

serves—large tracts pre-empted from occupation by the foreigner; and the Commission actually advocated the diminution of this territory in order to make the natives work. A European example was to be found in the Ardennes, where there existed common lands with a sparse population and little industry, and wages were far higher than in thickly populated and highly cultivated Flanders. With accessible land the universal rule is that if industry fails to pay an adequate price for labour, the latter simply removes itself to the land where it is certain of its livelihood. It was not mere greed which led to the enclosure of English commons but the demand for cheap labour. To put the matter bluntly, men were shut away from their one great recourse in order to be compelled to accept the employer's own price for their services.

By 1908 it was very clear to Joseph not only that the Small Holdings Act would not be very generally applied, but that even if it should be it would be ineffective. He also saw that State purchase would defeat its own ends and that the small holder working with Government aid would have to carry a burden that the small holder could not support. He wanted some method that would make land plentiful and accessible as in new countries. But unfortunately in Europe, except in France, and especially in Britain, the land is monopolised and its use restricted by a relatively small number of individuals. It was necessary to

make them relinquish their monopoly. Nationalisation by purchase did not commend itself to him, as it would only increase the difficulty which he was trying to avoid. For the State to enter the market means the highest possible prices, and even if the capital applied should bear only a low rate of interest, it would constitute an overwhelming burden for the peasant farmer. Land to be useful for small holders must be not only plentiful but cheap, or, put in other words, its value must be use-value. In this way Joseph came to see that the only effective method of dealing with the problem would be to place a tax upon the value of land apart from all improvements. He saw that if such a tax were gradually raised to the equivalence of rent, which is the ultimate basis of all capitalised land value, the prices would fall to a use basis. No one would care to hold land on speculation if this rent were to be immediately collected from him by the State, and no one could afford to hold land without using it to the fullest degree if he had to hand over its annual rental value for the mere privilege of holding it vacant.

The plan had a further advantage in that improvements would be relieved of the taxation which is found to act so harmfully and every inducement would thus be given to the extension of equipment and enrichment of the soil so necessary to intensive cultivation. In addition, there would be complete

justice in the incidence of taxation. The land would become a series of sites for carrying on agricultural industry much in the manner of other industrial sites. Everyone is aware that the site value reflected in high or low rent depends not only upon fertility, but also upon situation and communication. The small holding near a market and with easy communication naturally fetches a higher rent than one farther removed, and this rental value would merely be transformed into tax value. In other words, the holder who is far from market and reaches it with difficulty is compensated by having to pay a lower rental or, under the new plan, a lower tax. From now on, Joseph devoted his energies to bringing about this great reform.

His exertions in the interest of land taxation cannot be described as merely the outcome of his acceptance of Henry George's principles. He was acquainted with them many years before he threw himself and his resources into their service. His early period of activity in England was inspired by other motives than his desire to establish land taxation, this seeming too remote and difficult of achievement for one who wished to see concrete results growing, however slowly, under his hand. His efforts to solve social problems, at first disconnected from land taxation, led him, chiefly through the failure of those efforts, to conclude that social reform without land value taxa-

tion was a hopeless struggle against conditions that hampered, and balked, and killed, and that these conditions grow out of, and centre in, the private and privileged possession of land. In the early days, like most others, he saw land monopoly and its remedy as a thing apart, for Utopian contemplation rather than for every-day work. But ten years' struggle to achieve other reforms taught him that the curse of privilege entrenched in the ownership of land had thrust its tentacles into every part of the social order, and was ever ready to strangle every effort toward a cleaner and juster civilisation.