

From the book:

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FREEDOM THROUGH TAXATION OF LAND VALUES

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“A Land Tax levied in proportion to the rent of land . . . will fall wholly on the landlord*.**—David Ricardo.

“A Tax on Rent falls wholly on the landlord. There are no means by which he can shift the burden upon anyone else.”—John Stuart Mill.

Book VIII of "Progress and Poverty" deals with the application of the remedy which has been found for present unjust and therefore bad social conditions. Step by step it has been proved beyond contradiction that social troubles have their tap root in the private appropriation of the gifts which Nature freely offers to all. It has also been proved that there can be no permanent or substantial improvement till we have regained for all their equal rights to the use of the earth. We are now faced with the question: How can this, in practice, be done? The most scientific, the most practical, and the surest method is through the machinery of taxation—through the taxation of Land Values. The taxation of Land Values in its fullest form just means that landowners must make payment to the community for the very special privilege the community grants them. Their special privilege is the exclusive right to use the land to which all are equally entitled. Of course, some land-owners would have to pay more and some less, according to the value of the land they monopolize. At the same time, we say, let us abolish all those taxes which fall on the products of labour—the work of men's hands. To tax Land Values to the full means, in a word, to abolish every tax, save that on the value of land. The value of land being the product of the *whole* community and not due to anything the landlord does, has done, or can do, we say that this value should be taken for public purposes, and that the most practical way to do it is through a reform in taxation. This would give to the community its natural earnings, namely, the value it

has produced, and at the same time would (by abolishing all other taxes) leave to all individual workers the product of their labour, namely, the full value of the things they have produced.

That is our proposal. Take Land Values through taxation for public purposes, and we believe the first, and by far the most important, step will be made towards a new and better social order. But we are not visionaries. We do not mean that it is necessary to wake up to-morrow and find the whole of ground rent taken from those who today appropriate it and devoted to defraying the cost of Government. 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. That is the certain and sure way of securing to every member of the community his birthright in land. Some, ignorant of this simple plan, have suggested that the land should be cut up into little bits and each be given his share. Such a thing is not necessary, nor, indeed, is it possible. By the form of taxation we advocate we would be following the usual practice when it is desired that a number of persons shall share equally in an object that cannot be cut up. When a house owner dies and leaves his house to the family, it is not necessary, in order to secure his share, that each of the family take a room, and even if they did so, it does not follow that each would secure his equal share in the will, because some rooms would be better than others. The family may well arrange (and generally in practice they do) to let the house to one of their number who pays rent to the rest. In that way each secures his share in the common patrimony. In like manner, under our plan, the whole community (every member of which has an equal right to land) would grant to some the special privilege of using it, and therefore of excluding others, and the tax-gatherer would exact from such favoured persons (call them landlords if you like) payment of rent which would be devoted to Governmental services from which all equally benefit. No need to take the land itself—just take the rent: no need to establish an army of peasant proprietors such as has everywhere failed where tried, the peasants being mortgaged up to the hilt, and so only paying rent to private persons under another name. All that is really wanted to stimulate useful effort to the utmost is that men

should enjoy security of tenure, fair rent (paid to the community), and complete freedom from taxation on their industry. No need that the man who uses land should own it. Talk about “the magic of property” as applied to land is a complete delusion. Give a man security that he may reap, and he will sow; assure him possession of the house he wants to build, and he will build it. There we have the natural rewards of labour. It is for the sake of reaping that men sow; it is for the sake of possessing houses that men build. The ownership of land has nothing to do with it. It is only necessary to say, “Whatever your labour or capital produces on this land shall be yours.” More than that no honest man can want, and that is what under the Taxation of Land Values every man would get.

But, say some, how can a mere change in taxation effect such great results? “In any case,” they say, “labour must pay the taxes out of the products of labour, so in the end, it cannot matter how you take it.” Yes, it can and does matter very profoundly. Taxation can be raised in such a manner as either to check industry or to stimulate it. The present system checks and punishes it by piling taxation on men in proportion as they are industrious and do useful work. It therefore acts as a penalty on industry. It acts precisely like the tax on thatched roofs which in some countries is specially imposed in order to stop them being built. The present system of taxation lessens the reward of industry, and therefore discourages the industrious man and diminishes the stock of desirable things in a community.

Were we to base our taxation on the value of land alone, the tax-collector would take no notice of what men produce; he would only notice and make them pay for the special advantages the community has granted them, and if they were called on to pay proportionately to these advantages, we may be quite certain that every man would either make the very best use of his opportunities or pass them on to someone else more ready to do so. It would be no longer profitable for any man to hold land without making the fullest use of it, and it is easy to imagine the beneficial effect on unemployment. As contrasted with our present system there could be no more powerful stimulus to industry. One

hinders, the other helps. There is a stone-crushing machine in use which crushes the stones by the weight of the stones themselves. The stones are dropped down a shoot from the top into the machine, and their own weight dropping from above makes the machine do its work. That is like Land Values taxation. It stimulates production. Were the stones put in from the bottom, the machine would not do the work at all, till some outside power were applied to it, and then only with friction and difficulty. That is like our present system of taxation—it checks useful work.

And here the moral question arises: Is our proposal just? Is it *right* for the public to appropriate the value of land? The answer is that it is right because the value of land is a common product due exclusively to the presence and work of the whole people, and until this common product is completely exhausted in the public service we do wrong in taxing any man's industry. Moreover, the real canon of taxation is that men should pay taxation in proportion to the benefits they receive. They should pay to the community in proportion to the benefits or services the community renders them. This is a far juster measure than the one commonly accepted, which is "ability to pay."* When you travel by train the ticket collector does not enquire how much you possess, but how far you are going, and by what class. That is to say, you must pay the railway company proportionately to what it does for you—the services rendered to you. When you pay your gas bill you do not pay according to your means, but according to the amount of gas you consume—the services rendered to you by the gas company. When you buy your bread, the baker charges you according to what you buy, and not according to your "ability to pay." All this is fair and just, and in taxing Land Values the community would be following the same good rule as the railway company, the gas company, and the baker. The value of the land is the creation of the community. Where population is thickest there the Land Value is highest. Were the community to go, the Land Value would disappear with it. With the performance of every useful public service—police, road-making, lighting, cleaning, etc.—the value of the land rises in proportion to the usefulness of the service, or falls as the services fail. The very opposite is the case with the products of labour and capital. With the growth of

population, advance of civilization, and with the improvement of public services, the value of all such products fall. The growth of the community makes commodities cheaper, but it makes land dearer. The growth of population and the advantage derived from public services express themselves in the value of land, so that those who are allowed the privilege of landowning appropriate to themselves the benefits of the public services in the rent they get or can get for these lands. This appropriation by ground landlords of the benefits which come from the expenditure of public money is a thing which no other class in the community has the power of doing. If, therefore, landowners are called on to defray the costs of the public services they will be paying *to* the community in proportion to the benefits they receive *from* the community, which is the most just of all forms of taxation. To this it may be objected that others than owners of land benefit from the public services and therefore should pay for them. They do benefit, but they pay away in rent to the ground landlord the amount of benefit they receive. It is the ground landlord alone who ultimately gets the value of the services. He therefore is the man who should pay for their maintenance. The landless man's share in taxation would in that case be what he pays in rent to the landlord, so that every man would bear his fair share of the national burdens. This is Nature's own form of taxation, and it is useful to note how what is natural is always just, and what is just is always beneficial. The tax upon the value of land is the best of taxes, because instead of checking production as other taxes do, it unlocks the land and encourages industry. Tax manufacturing, and the effect is to check manufactures; tax improvements, and the effect is to lessen improvement; tax commerce, and the effect is to prevent exchange; tax capital, and the effect is to drive it away. But the whole of the value of the land may be taken in taxation and the only effect will be to stimulate industry* to open new opportunities to capital and labour, and to increase the production of wealth. Every acre of desired land—whether agricultural, building, or mining—being thus freed to labour, surely it is clear that the demand for workers of every kind would be so increased as to have the most profound effect on the labour market. In the last resort there is but one way to raise wages, and that is to increase the demand for labour. Were it made

unprofitable to hold land without using it to the utmost capacity for which it is fitted, the demand for labour would be such as to make wages rise naturally of their own accord, so that no man need lack well-paid work, and with the disappearance of undeserved poverty there are few of our social ills that would not cure themselves. A higher wage level for the workers would mean better food, better houses, fewer slums, healthier minds and bodies. With the power of satisfying their own wants with the fruits of their own labour, most of the remedial or palliative legislation of recent years would be quite uncalled for.

The greatest of all Social Reforms, the reform on which all others must be based, is a rise in the level of wages. All the rest would easily follow, but without it all other schemes are built on the quicksand. We cannot dodge the inexorable Law of Rent, whether with or without Act of Parliament. So long as we legalize a class who can levy toll upon their fellow-men for the bounties which Nature gives to all men, so long will otherwise well-intentioned Acts of Parliament be futile, because their tendency is to raise rent. Give special benefits to the working masses, and so soon as these benefits come generally to be felt, rent will overtake them. A well-known First Lord of the Admiralty (Viscount Goschen) once declared that he found a rise in wage which he had given to the men in Woolwich Arsenal was of no benefit to them, because it had at once caused a corresponding rise in their rents. Sooner or later the same must happen with all other reforms intended to ease the position of the masses, so long as the power of the land monopolist remains. The Old Age Pensions Act, the National Insurance Act, the Free Feeding of School Children, are all indirect attempts to raise wages by entitling the worker or his family to certain specified benefits. As surely as in the case of Woolwich, they will cause, and are already causing, rents to rise. The Small Holdings Act and the Housing and Town Planning Act, by putting the cart before the horse, and increasing the demand for land without having first increased the supply by forcing land into the market through a tax on Land Values, have already been “of very great benefit to the landowners” (in the illuminating phrase of one of their friends) by causing a rise in their rents. There is but one practical and sure means of avoiding this

deadlock, and that is to break the power of the land monopolist. This, the taxation of Land Values will do. And not only that, but it will also open the way to the realization of hopes which now, alas! seem far beyond our reach.