

LAND & LIBERTY

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Editor: A. W. Madsen

Assistant Editor: F. C. R. Douglas

94 PETTY FRANCE, LONDON, S.W.1.

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PRINCIPLE AND POLICY

Land Value Taxation is a rational method of bringing the present social order into conformity with natural law. It is a means to an end. The aim is equal liberty to live and to work through freeing the land from the element of monopoly. The means is scientific taxation. It should, at the outset, be noted that the term "land" is here used in its most comprehensive sense: comprising natural resources of every kind such as building land, minerals, air, sunshine, rivers and sea, as well as agricultural land. It is used in contradistinction to products of industry which involve human toil. Throughout our thinking this distinction must be rigidly and constantly drawn.

First, as to means. Under the Land Values system, *taxation on industry and its products is abolished* and public revenues is secured by turning into the public treasury, through taxation, the economic value of the land as it exists apart from all "improvements" on it, such as dwelling houses, factories, machinery, cultivation, railways, docks, etc., etc. Thus Land Value Taxation is a substitute for present rates and taxes on industry—not an addition to them. This tax on the market value of the land apart from "improvements" is payable without alteration whatever use the land may be put to. It is payable just the same whether the land be fully used, half used, or withheld from use altogether. The use the land is put to makes no difference to the tax payable. This is an essential feature of the system.

It is the merit of this reform that it can be introduced progressively as public opinion may decide till we reach the full application of the principle. That full principle is the public appropriation of all economic rent (the value of land apart from all buildings, cultivation or other improvements) and corresponding relief of industry from taxation. A start having been made on these lines, it remains for the public to decide how quickly we shall advance towards the complete freeing of industry from taxation.

Let us compare this with the existing system of raising public revenues, and examine the effect of each on personal liberty and social relationships. Under our present taxation and rating system, no distinction is drawn between land and labour products. The more fully land is made use of (through cultivation, building, mining, etc.) the heavier becomes the load of taxation. Per contra, the more it is neglected or held up for speculation, no matter how valuable it may be, the more it escapes, till we reach the absurd and tragic situation that the owner of valuable and much-needed land has but to forbid its use altogether and he will escape scot free from any contribution to the public exchequer. Thus is offered a premium on land withholding and speculation, with its repercussions of land famine, high

rents, overcrowded towns, unemployment, and a low wage level. A glance round any growing district will show how powerful is this inducement to withhold valuable land. Extension of railways to outskirts, improved main roads, or even the mere rumours of these things, stiffens the price asked for land, and withholding grows apace in view of the prospective rise and the inducement offered by exemption from rates so long as land remains unused.

But further evil is inherent in the present system of exacting rates and taxes only in measure as *use* is made of land instead of levying on the *market value*, whether the land is used or not. The burden which is thus made to fall on houses, factories, good cultivation, and all other improvements checks the production of such things and raises the price that has to be paid for them. When we remember that rates vary from 10s. in the £ to 20s. in the £, and even more, and that the occupier must pay this burden, we begin to grasp at least one reason why houses are scarce, and rents are high, and why our industries suffer.

Under the Land Values system, not only would this check to production be removed, but a powerful stimulus would take its place. Full use of land would be encouraged, speculation penalized, and the supply of land available for use at fair rent would be increased where now we artificially restrict it. For with rates and taxes payable on land according to its market value, independently of the use it is put to, the speculative element is at once squeezed out, and it becomes a losing game to own land unless put to its best use, which means unless thrown open to labour and enterprise. With taxation applied on this principle, *no man or corporate body could afford to hold more land than he can put to its most productive use.*

Land would be held for use only; and never merely for renting to others, *i.e.*, for levying toll on others for leave to work. Apply this principle, and the demand of many reformers that only those who use land shall be allowed to have it, will *automatically* be realized without legislative enforcement or regulation, and an endless vista opened out for small industry of every kind. The landlord (the private collector of economic rent) would vanish from the scene; for what sense would there be in acquiring land to rent to others, if that rent were taxed into the public purse?

Imagine the effect of the labour market, and, still more important, on the opportunities thrown open for employment of every kind.

Turning to the relief of industry, we find that of the crushing burden of taxation now imposed on houses, factories, and every improvement, not a penny would remain if the principle were fully applied. Imagine how, in addition to cheapening land, this relief from taxation would affect the economic and social position; how it would stimulate production, increase the demand for labour, mitigate or even abolish the housing difficulty. To attain these ends no new experimental social systems are called for, no bureaucratic monster of State ownership and management; but simply the overthrow of obstructive land and taxation laws which now block the way to common people who wish to gain a living in their own way, whether as free individuals working on their own, or grouped in voluntary co-operation with their fellows.

To rid ourselves of obstructions which stand between us and nature's storehouse should be the first aim of the reformer. After that much may remain to be done, but it is the first and greatest step to better things, and we may find that under the new conditions it will usher in, many a social problem which now looms large and

threatening will be reduced to manageable dimensions, or disappear altogether. No social question is so important as man's proper relationship to the earth on which he lives, moves, and has his being. Land Value Taxation applied in full puts this relationship on a basis of equal freedom and justice, because, under it, those who occupy positions of special advantage are called upon to pay to the whole people for that advantage, and then left free to earn their livings. Thus, without nationalizing the land itself, and without any bureaucratic control over the occupier, equal rights to use the land are secured through *nationalization of its rent*.

At first sight this may seem a small reform from which to expect such great results, but may it not be likened to the points on a railway track which can be so set as to turn the train either into a rich and delectable country or into a desert? To move the points is a small thing in itself, but on that simple movement depends all that will happen to the train and its passengers on their journey.

Critics are fond of describing land and its rent as merely a "form of capital," and ask why any particular "form of capital" should be singled out for taxation. To do so, we are told, is an outrage. Well, let us examine this "form of capital"—economic rent—which taxation of land values would, as quickly as expedience allows, turn into the public treasury in lieu of the taxes which now oppress industry.

Land Value or economic rent is recognized by every progressive thinker as the *communal fund par excellence*, because it is not the product of any individual or group of individuals, but arises and is maintained from day to day by the presence and activities of the whole community. It comes into being with the community, grows with the community and disappears with the community. It depends on the standard of civilization, rising as it rises and falling as it falls. As the arts, sciences, and powers of production rise or fall, so does land value. As the efficiency of public services grows, so does land value. Contrast all this with the price of labour products, and it will be found that the very opposite is the tendency. The value of land rises as powers of production increase; the value of labour products falls. Since land value rises and falls with the usefulness of public services, we here discover an automatic register of the benefit conferred by those services which is to be found nowhere else. That benefit conferred is expressed with wonderful exactitude in the value of land apart from improvements. Every municipal or national service finds its reflection in the value of land: as witness the effect of roads, sanitation, lighting, public security, and the impartial administration of justice. In measure as these improve or are lacking, so does the value of land rise or fall. *Every useful public service calls forth the wherewithal to pay for itself in the shape of the land value it creates.*

For the community to take this and devote it to the common good would take not a penny from the earnings of any man. Land value or economic rent is therefore the just and scientific measure of what each individual should contribute to the support of public services; and when he does so, each contributes in exact measure as he receives benefits from them. Contribution according to benefits received is the correct principle of taxation, just as those who occupy the best seats at the show are expected to pay most for them. Compare with this the present system, and it will be seen that what each man now pays towards the public services bears little or no relationship to the benefits he receives from them.

Here, then, in the value of land, we find a fund

eminently fitted, and seemingly, by its very nature, intended to be used for communal services. In this respect it stands unique; and to play with words in describing it merely as one of many "forms of capital," so as to confound it with labour products, is either proof of ignorance or of deliberate attempt to darken counsel.

As is the case with most fundamental reforms, the remoter implications of thorough Land Value Taxation are perhaps more important than its immediate results. It has been indicated how it would affect the housing scandal by relieving houses from the burden of rates, and throwing open new opportunities to building enterprise.

Equally important is its effect on employment. In the last analysis there is but one way in which men find employment, and that is by the application of their labour to the raw materials of the earth, which are all embraced in the term "land."

As Sir William Petty put it: "Labour is the father and land the mother of all wealth." It follows that just in so far as we allow barriers to stand between labour and land, work becomes scarce, unemployment becomes general, and wages fall because of the unnatural competition of unemployed men. Conversely, it follows that just in so far as obstructions are removed and access to nature's workshop becomes easy, work comes as a matter of course, self-employment becomes easy, and distribution of wealth becomes fair.

The present system of taxation by encouraging non-use of valuable land (through its exemption from taxation when unused) and heaping the load on those who make proper use of their opportunities, provides a most formidable barrier between the would-be worker and the source of all wealth. The true remedy is not to build new experimental social orders, but to remove those obstructions which prevent the system we have from working properly. When, *under free conditions*, that system is found to fail, it will be time to try another. The remedy for a wrong is to cease the wrongdoing.

This removal of barriers against equal freedom to use the earth is the meaning of the reform here advocated; for, under it, all natural resources would be thrown open on fair terms to those who wish to earn their living in their own way, and the fruits of their toil would be free from the exactions of the State.

W. R. L.

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