

IV

TAXATION AND RENT

POLITICAL economy is the study of men engaged in production, engaged in making money.¹ The question which this science has to answer is: What social laws are men to observe in order that they may acquire the greatest amount of wealth as individuals and as societies?

Nothing affects man in this position more intimately than the management of taxation and rent. These things are not bad in themselves, although, owing to their misuse, nothing bears a worse reputation. The kindest thing that is said about them by critics or victims is that they are necessary evils. Confronting man as a producer, or standing over him, have been the Government and the landlord. Their strength is superior to

¹ If more elaborate definitions are desired, there are Mill's and Marshall's. "The science which traces the laws of such of the phenomena of society as arise from the combined operations of mankind for the production of wealth, in so far as those phenomena are not modified by the pursuit of any other object."—Mill, *Unsettled Questions of Political Economy*, p. 140.

"Political Economy, or Economics, is a study of man's actions in the ordinary business of life; it inquires how he gets his income and how he uses it."—Marshall, *Principles of Economics*, vol. i, p. 1.

his, and at times both have exercised their power in an absolute manner. The Government exacted taxes and the landlord rent. The story of these exactions in different countries would be the most reliable and illuminating part of their history. That history is largely a record of oppression and misery. There has been a widespread opinion that taxation has had little influence in shaping the destiny of the world. In recent years something has been done to correct this view.

To manage taxation and rent properly it is necessary to understand their nature. The most popular theory with regard to both of them is that everything is well where they are low, and amiss where they are high. Misleading comparisons are drawn between the proportions of the total produce that go to rent and wages in new and old countries. In new countries wages are high and rent is low. If a man is a hermit, if he is completely shut off from society, his wages will be 100 per cent. of the total produce in his hands. If he lives and works in a settled and well-governed district, where he has the daily use of public roads, railways, post office, telephones, water and drainage, in turning out his produce, his wages may be 55 per cent. of the total produce, while rent and taxes may be 45 per cent. This increase in the proportion of rent to wages is not an evil, if 45 per cent. of the produce is the fair value of the work done by the community in its production.

There are two methods of using land imposed on men by necessity. In one case they take particular portions of land, detach them from the places where they are fixed, and make them into houses, furniture, clothes, and food, which may be moved about at will. In the other case men must use land as a site for their various activities. It must remain in its actual situation in space, and, in order that men may use it for their satisfaction in this form, they must join together and bring certain services to the land to assist them in production, such services as roads, water-supply, sewers, gas, electric light and trams. Engines throb not only in private factories, but in municipal electric stations, to send the current along every street through millions of wires. Labour and capital are thus divided into two kinds, private or individual, and public or common, and these two kinds of labour produce on the basis of land two forms of wealth—wages and interest, the return to private enterprise, and rent and taxes, the product of public enterprise. If there are no roads, no common services in the backwoods, and no market accessible for the settler's produce, there ought to be no rent, as no one helps him to produce. Since common services of every kind are highly developed in New York and London, and vast markets within easy reach, rent ought to be a very high proportion of the total produce. The more of the necessary services which men perform for each other in common, the higher will

rent be, as they will pay for these services in the form of rent instead of in wages.

The distribution of wealth is not a matter of chance ; it is determined in the conflict among the landowners and the Government, the capitalists and labourers, for their respective shares. The capitalist, as the occupier of land and organizer of production, receives and holds the total produce first of all. If he does not own the land he occupies, the landlord as well as the Government comes to him from one side, and both demand the part of the wealth which they claim to have been produced by common services. From the other side come the labourers for payment of their services. There is little sentiment in the struggle which each party makes to secure as much as possible for itself. Bargaining and argument come first ; then evictions and forced sales by the landowners and Governments, lock-outs by the capitalists, and strikes or emigration by the labourers. Everything about this apparatus through which wealth is distributed is clear, certain and firm. The measures and scales used to serve out economic rent, interest and wages to their different recipients are not cast from pewter, or any other metal, in a mould, and stamped with the Government mark, but they are exact measures all the same. When the landlord and Government cut into the existing shares of capital and labour, the dullest and most degenerate capitalists and labourers wince and kick as if a bodily wound were inflicted on them.

“The avarice of Galerius,” says Gibbon, “or perhaps the exigencies of the State, had induced him to make a very strict and rigorous inquisition into the property of his subjects for the purpose of a general taxation, both on their land and on their persons. . . . Even when the spirit of freedom had been utterly extinguished, the tamest subjects have sometimes ventured to resist an unprecedented invasion of their property ; but on this occasion the injury was aggravated by the insult, and the sense of private interest was quickened by that of national honour.”¹

The result was a successful rebellion, which cost Severus, the colleague of Galerius, his emperorship and finally his life.

There are measures of comfort which the peoples of different countries will insist on maintaining. There is the Chinese measure, the Indian, the Turkish, the Polish, the German, the British, the Australasian, and the North American. Each of these peoples is alive to the importance of its measure of comfort. They resist any shortening or reduction of it, and with varying degrees of energy are constantly striving for its increase. There is no more regular, accountable and clearly defined movement in any sphere of knowledge than this which distributes wealth.

Economists, taxing authorities, and land-owners have believed otherwise, and the two latter classes have acted on the opposite principle. Professor R. T. Ely, for example, speaks frankly on the subject.

¹ Gibbon, *Decline and Fall of the Roman Empire*, vol. i. chap. xiv.

"Taxes," he says, "are not an exchange, nor are they a payment. The sovereign power demands contributions from citizens regardless of the value of any services which it may perform for the citizen. This is a clear abandonment of the old legal fiction that taxes are paid for protection."¹

Unwise emperors and kings have acted on this view, and it has brought them revolution and death by the axe or guillotine; unwise governments in states and cities have adopted it, and they have always been ignominiously turned out of office. Americans may be fortunate enough never to see a foreign invasion of the United States, but, even with all the positive protection afforded by a State education, they would contribute a solid foundation in fact to "the old legal fiction," if the police of New York were withdrawn for a week. Some shrewd citizens, with their eyes always on business, would find themselves in positions where they would gladly pay 50 dollars for the protection of the police.

On this assumption that the taxpayers of a country are insensible and indifferent to the value of what they receive and what they give, governments resort to deceitful or indirect methods of exacting as much as possible from them without anything like adequate regard for justice. The anxiety to be fair accompanies the intention to deceive in the matter of levying taxes more often than in any other transaction. This inconsistent

¹ *Taxation in American States and Cities*, p. 7.

policy of governments springs from an imperfect understanding of the forces with which they are dealing. While the occupiers of land, the producers of wealth, know in a negative way what taxation and rent are, and protest as soon as their payment exceeds the proper limit, they have not been able to state positive reasons, or adopt positive means, for securing the strict observance of this limit. The economic rent or gross value of any piece of land, taken now partly by governments in the form of taxes, and partly by land-owners in the form of rent, is the value of public services which assist the occupier to produce wealth, plus the value of public services which provide him with a market for his produce.¹ Or, to express this in a more general form, economic rent is that part of wealth which has been produced by the expenditure of capital and labour in common services, as distinguished from interest and wages, those parts which have been produced by the expenditure of private capital and labour.

This definition of rent is not to be taken as a statement of the law of rent, a subject which has generally received much more attention. It differs in substance as well as in form from that of

¹ The substance of this definition is found in Adam Smith. "The paving of the streets of London has enabled the owners of some barren rocks on the coast of Scotland to draw a rent from what never afforded any before. The woods of Norway and of the coasts of the Baltic find a market in many parts of Great Britain which they could not find at home, and thereby afford some rent to their proprietors."—*Wealth of Nations*, Bk. i., ch. xi., pt. ii.

Ricardo, which has been most widely accepted. "Rent," says Ricardo, "is that portion of the produce of the earth which is paid to the landlord for the use of the original and indestructible powers of the soil."¹ The flaws of this definition are not readily apparent, yet they are serious. Something essential is wanting, and something non-essential is introduced. Rent is a part of wealth, and therefore the product of labour and capital. Nothing can be regarded as a definition of rent which fails to show this as one of its indispensable features.

But the other parts of wealth are also produced by labour and capital, so that it is necessary to distinguish between the two kinds of labour and capital in order to make the definition complete. Before he proceeds far, Ricardo feels that "the original and indestructible powers of the soil" do not furnish even a plausible basis for the existence of rent in many cases, and he adds a second and distinct basis in such a phrase as the "peculiar advantages of situation." This consideration brings us back to the essential principle; for advantage of situation in relation to common services is the only thing that accounts for the existence and amount of rent.

Ricardo errs in his observation of facts, but his capital mistake is that he offers a definition which is not economic at all. The error is not

¹ *Principles of Political Economy and Taxation*, p. 49.

due to a casual lapse in expression ; it is a defect in a chain of thought. Ricardo, and other economists before and since his time, have treated political economy, not as a purely mental, but as a physical or chemical science.¹ Instead of confining themselves to man's activities in producing wealth as the subject-matter of their study—and it is a sufficiently wide field—they concern themselves with activities in the soil which are properly the groundwork of chemical science. This step leads to untenable conclusions. Ricardo goes on to show how rent arises, and in doing so describes a process which never takes place in real life.

“ Thus,” he says, “ suppose land—No. 1, 2, 3—to yield with an equal employment of capital and labour a net produce of 100, 90 and 80 quarters of corn. In a new country, where there is an abundance of fertile land compared with the population, and where therefore it is only necessary to cultivate No. 1, the whole net produce will belong to the cultivator, and will be the profits of the stock which he advances. As soon as population has so far increased

¹ Ricardo emphasizes the influence of the chemical properties of land, and ignores the effect of common labour. “ When land is most abundant,” he says, “ when most productive and most fertile, it yields no rent ; and it is only when its powers decay, and less is yielded in return for labour, that a share of the original produce of the more fertile portions is set apart for rent.” *Ibid.* p. 63.

“ When no other but the most fertile land is in cultivation, the landlord has the smallest share of the whole produce, as well as the smallest value, and it is only when inferior lands are required to feed an augmenting population, that both the landlord's share of the whole produce, and the value he receives, progressively increase.” *Ibid.* p. 557.

as to make it necessary to cultivate No. 2, from which ninety quarters only can be obtained after supporting the labourers, rent would commence on No. 1.”¹

If Ricardo's supposition were not impossible, it might afford an easy solution of an important problem. But first of all, assuming the quality or value of the corn to be similar in each case, it is doubtful if 100 quarters in one case, and 80 or even 90 quarters in others, are ever produced “with an equal employment of capital and labour.” The cost of producing any one form of wealth like wheat over a series of years approximates on the different lands devoted to its production. When the cost of production on any land exceeds this average for a sufficient time, the cultivation of the land for that purpose ceases. The land which yields 100 quarters requires more capital and labour for its cultivation than the land which yields only 80. “Good” land differs from “bad” land chiefly because it admits of the application of a greater amount of capital and labour to a given area. The presence of fertile elements in greater abundance in any one place involves the employment of more capital and labour to control and direct them. The larger crop, simply because it is larger, requires more capital and labour to reap, to stack, to thrash and to winnow it, to provide a market, to carry it there, and to maintain the roads over which it is carried.

In the second place, whatever variations there

¹ *Principles of Political Economy and Taxation*, p. 55.

are in the productivity of land, it is agreed that these affect the total amount of wealth produced, and they also affect each of the forms in which wealth is distributed. A low production means low wages, low interest, and low rent. When wages rise, rent rises, and when wages fall, rent falls. Rent varies directly with wages, and not inversely. Therefore Ricardo's illustration shows something the opposite of that which actually takes place.

In the third place, it is certain that the production of wheat by a given expenditure of capital and labour has not fallen from 100 to 80 quarters. On the contrary, the same expenditure that produced 100 quarters of wheat of standard value in Ricardo's time, or at an earlier date, now produces a greater amount, not less. Instead of 80, it perhaps yields from 110 to 120 quarters. This is proved by the fall in the value of wheat, since its value is the cost of its production. This fact is at once the refutation of the theories of Malthus and of Ricardo ; for the latter's law of rent is simply the former's law of population stated in different form. There seems to be no other reason for discussing this question with reference to the production of food. If the existence of rent depended on an increase in the cost of producing wheat, there would be no rent ; for, with the division of labour, the cost of producing wheat has fallen.

The mistake which arises from inaccurate ob-

ervation of facts is confirmed by the introduction of "the original and indestructible powers of the soil" from the world of chemistry. The habit of straying beyond the limits of political economy into the domains of chemistry, physics and astronomy is easy and excusable, but nothing is more confusing. Whatever the different activities in these regions may have brought to us we may accept with gratitude, but the jurisdiction of political economy only begins where these activities end, with the action of labour and capital, of man himself, in transforming the results of all other activities in the universe to shapes that satisfy his desires.

The essential error, therefore, is that we are given a definition of rent with reference to chemical activities instead of with reference to economic activities. There may also be definitions with physiological and moral references, but they are not economic definitions at all. The phenomena which they are intended to represent must be translated into their economic character and terminology before they are treated in the science, before they can be of the slightest use. They cannot otherwise serve as the basis for reasoning, or for the formulation of laws. The precedent set by Ricardo in adulterating the basis of political economy has been largely followed. Mill and Marshall have gone beyond the scope of their own definitions of the science. Instead of finding the cause of rent in the economic phenomenon of

the division of labour and capital for increasing the value of those portions and kinds of land which seem best to them, a phenomenon whose existence is indisputable, they find it in the alleged chemical phenomenon of a falling off in the supply of chemical powers available for man's use. They see the explanation of a surplus in a deficit. This leads to baffling and pessimistic views which are expressed in such melancholy forms as the Law of Diminishing Return. If there had been a resort to "inferior" land, and a consequent reduction of wages, even in the slightest proportion to the great increase in rent during the last hundred years, wages would have almost disappeared.

Adequate negative criticism of Ricardo's theory would require more space than this work affords. Our purpose here is to furnish an alternative and positive definition of rent consistent with the experience of business men. It does not matter what form of production we take, whether it is corn, jewellery, or banking facilities, the amount of labour and capital employed varies directly with the value of the produce, and on an average bears an exact and constant proportion to it. For the production of mutton and wool in the Highlands of Scotland, only one man is employed on an area of 700 to 1,000 acres, and only a capital of from £1 to £2 per acre; for producing corn in the southern parts of the country, one man is employed on 40 to 60 acres, and a

capital of £8 to £12 per acre ; for producing fruits and vegetables there is one man for every acre, and a capital of £50 to £60 per acre ; for producing these same commodities through the last stages in the busy markets of the city, and for assisting in every stage with banking and insurance facilities, 750 to 1,500 men are employed on an acre with a correspondingly large amount of capital. Co-operating with private capital and labour throughout the whole of this process are public capital and labour, the amount of the latter varying directly and necessarily with the amount of the former in every case. If a greater number of men devote themselves to production in different ways, if the same number increase their production, more capital and labour have to be set aside to provide common facilities for dealing with this increase, and this sends up the value of land.

The producers recognize this active partnership of "the land" or "the site" in their business, and they are willing to share the profits with it. When they take their corn, wool and coal to the market and get their price, they are conscious that they have been assisted in producing these things by having had the use of roads, water, telephones and other services, and that customers have been brought along for them with the help of the same agencies. When the merchant opens his warehouse, or the banker his bank, in London, he knows that the market which comes

to him from the crowded streets is only made possible by innumerable activities on the part of local and national governments. The same is true of the whole body of workers in all manner of occupations. Directly and indirectly they recognize and discharge this debt or obligation to the community, with a natural desire or bias all the time to drive a good bargain in fixing its amount. They leave part of it with the employers, and hand over part of it in the economic rent, or site value, of their dwellings.

A man's "ability to pay" in the only honest interpretation of that phrase is measured by that part of the total earnings in his possession which is produced by the community, provided he is using the land in the normal or proper manner. Economists, Chancellors of the Exchequer, and taxing authorities generally are always anxious to make every member of the community contribute his or her fair share to taxation. Instead of learning from the landowners, who never worry about this, but who nevertheless catch every one in their net, they recommend, or resort to, taxes on arbitrarily chosen articles to secure their object. The taxing authorities should have no fear; they should trust economic laws to bring out an equal result. There is no more just and inexorable measure of men's ability to pay than the value of land. No one can escape from it. The evil has been that, with restricted opportunities, the demand for employment and for

land has made the workers and employers too willing to leave more than was due to the community to the landowners and governments, to raise the value of land too high. But, even with perfectly free opportunities, and no arbitrary taxes, competition, based on the general sense of what the measure of comfort should be, will make land value the exact measure or expression of what is due to the community. Every advantage will have its due weight and effect in bringing the land value to its proper level.

The struggle in which wealth is distributed is unceasing. The pushfulness or competition of the producers serves the interests of landowners and governments. This struggle springs from the irrepressible efforts of men to increase their wealth. The economic method of fighting, the final method, takes the form of a constant movement in search of new and more favourable opportunities for the employment of capital and labour. Against an increase of rent on one estate tenants will move to another ; against an increase of rates in one town they will move to another ; and against an increase of taxes in one country they will emigrate to another. No political power directed against this movement can defeat it. It can only thwart it, and inflict loss on every class, by the curtailment of opportunities for employment. By the Statutes of Labourers, repeatedly enacted in the fourteenth and fifteenth centuries, labourers were bound to

different estates in order to prevent them from raising their wages by going where labour was scarce. They were branded in the forehead, but they continued to break the law, and to increase their wages.

The British miner has a certain standard of comfort which he endeavours to maintain or increase. The employer, pressed by the landowner and Government, seeks to reduce this standard, or opposes its increase. The miner strikes. The Armenian or Pole is satisfied with a lower standard of comfort. He is brought in, and the Briton emigrates rather than accept the reduction. He goes to the United States, or to the Colonies, where wages are higher, and gradually the British standard rises again.

The conflict is waged on all sides. A tax is imposed on tea. It is paid by the importer, and passed on to the wholesale merchant. It is paid by the latter, and passed on to the shopkeeper, who pays and passes it on to the consumer, the amount being increased at each stage. It is generally assumed that the matter rests here, that the transaction is closed with the consumer's wages reduced. But the final struggle only begins here—the struggle which is decided by the spirit of the parties to the fight, and by the relation between the number of opportunities for employment, and the number of men seeking them. If the wages prevailing before the tax reduced them were the wages which this relation

assigns, or sanctions, the tax will be taken out of rent by an increase in wages. If the wages were higher than those sanctioned by the relation referred to, the disturbance due to the imposition of the tax will leave wages at the proper level, and still the tax will come out of rent.

The same principle operates, when the movement sets in from the opposite side through a reduction of taxation. Rent will advance to absorb the amount of relief, if the relation between opportunities and the demand for them remains the same. A remission of rates owing to a subsidy from the profits of municipal undertakings, or through the Agricultural Rates Act, causes an increase of rent.¹ If taxation and the landlord's rent together do not exceed economic rent, taxation clearly comes out of economic rent; if the two charges together exceed economic rent, the landlord's rent will be reduced beyond what it would be if the users of land sat under economic conditions.

So far as capitalists and labourers are concerned, the two charges of taxation and rent are made in respect of the same thing. As producers, their prosperity depends entirely on their ability

¹ "In the Weald of Sussex a remarkable instance was adduced, where rent and poor-rate together amounted now to the same charge per acre as before the war of 1792; but the burdens had changed places; the 8s. an acre, which was rent in 1792, is now poor-rate; the 4s. per acre, which was the poor-rate then, is now the rent."—*Report of Select Committee on Agriculture*, 1833, quoted in Annual Register of that year.

to keep the portion of wealth due to their own industry safe and intact against the inroads of Government and landowner. As often as these break through this line of demarcation between common earnings and individual earnings, the producing machine is injured, and every interest suffers. It may be the Government, or it may be the landowner, who commits the transgression, but the result is the same. So long as individuals share economic rent with the community, the latter may arrange how much this is to be, but, in the interests of every one, the policy of exacting more than economic rent in the name of taxes and rent should be stopped at once. This might be the statesman's immediate aim. Having gained the foothold which this achievement would give, he could go on to solve with ease problems that have hitherto baffled him.

The relationship between the producer and the two superior parties associated with him has never been fair or businesslike. They are essentially stronger than he. They can crush him by their economic power, and they have done it. Landlordism, for which the community is responsible, but the functions of which are exercised by Governments and landowners, is injurious in four aspects. The first and worst of these is that under which the landowner shuts out the capitalist and labourer from the land; the second is that under which the Government and landowner exact more than economic rent in the name of taxes and rent;

the third is that under which the Government intrudes with its impertinent and oppressive taxes among the affairs of private business; the fourth is that under which individuals appropriate the earnings of the community.

The mischievous domination of Governments and landowners over producers has rested on their power of dispossessing producers, of shutting up alternative opportunities for employment, and of exacting an undue share of the produce. Endowed with this power, they have put the producers in a corner, and depressed the standard of comfort for so long a time, and so far beneath the point at which the latter strove to maintain it, that they broke the spirit of the people. In Rome, in Central Europe during a later period, in France until the Revolution, in Ireland and Great Britain until to-day, this system has pressed with a too heavy weight upon industry.

The fate of Rome remains as an example of the finished product of this policy. Most modern European nations are simply associations of the innumerable fragments into which Rome shattered herself chiefly by the unwise use of taxation. The society which was the Roman Empire was disintegrated and unmade, the productive activities of her people were suspended, by taxation during the fourth and fifth centuries. In A.D. 311 Constantine visited the city of Autun, remitted the arrears of tribute, and reduced the capitation tax by 28 per cent.

"This tax," says Gibbon, "was so extremely oppressive, either in itself or in the mode of collecting it, that, whilst the revenue was increased by extortion, it was diminished by despair: a considerable part of the territory of Autun was left uncultivated; and great numbers of the provincials rather chose to live as exiles and outlaws than to support the weight of civil society."¹

There has been much minute study of this side of Roman history during recent years, and it has all served to emphasize the fact that the Empire never recovered from the effects of the vigorous operation of an imperfect system during these two centuries. Professor Dill has given us the results of patient and exhaustive research in two volumes, one of which deals particularly with this problem.

"There can be no doubt," he says, "that the hardened venality of the financial service, and the greed and rapacity of the great landowners, were the vices which did most to undermine the fabric of Roman society."²

In those passages where he treats the subject, Mr. Dill allows his sympathies and sense of justice to give a vigorous and personal colour to his narrative. He discusses a system, but he does not hesitate to blame the landowning class. We may require much more history from this point of view before we are able to find the real causes of decay in systems for which more than one or two

¹ *Decline and Fall*, vol. i. chap. xlv.

² *Roman Society in the Last Century of the Western Empire*, p. 116.

classes are responsible. The following references to history, brief as they are, may appear tedious, because they are necessarily one-sided.

More important than the particular form which the evil assumed in this case is its disastrous effect on the body of producers. Under an extravagant and weak government excessive taxes were always being exacted from the men in comparatively small holdings, who were landowners often only in name. The *curiales*, a class composed of men owning 16 acres of land and upwards, but inferior to the senatorial order, were made responsible for the assessment and collection of taxes on landed property, having to make good the arrears at their own cost. The large landowners defied the tax-collectors, secured by various means exemption from taxation, and ruled their estates as small but independent and rival kingdoms, in which fugitives from the scourge of imperial taxation took refuge.

“The unscientific and inefficient financial system,” says Mr. Dill, “will chiefly attract the notice of the historical inquirer. The collection of imposts in kind opened the door to every species of corruption. Still more fatal to pure administration was the system which left to the municipal class the assessment and collection of revenue in their district. That doomed order is at once branded as the worst oppressors, and invested with the melancholy glory of being the martyrs of a ruinous system of finance. Their lingering fate, recorded in 192 edicts, a tragedy prolonged through more than five generations, is one of the most curious examples of obstinate and purblind

legislation, contending hopelessly with inexorable laws of society and human nature. In that contest the middle or bourgeois class was almost extinguished, Roman financial administration was paralysed, and at its close the real victors were the great landholders, surrounded by their serfs and dependants." ¹

Again he refers to—

"the deep-seated cause which, far more than the violent intrusion of the German invaders, produced the collapse of society which is known as the fall of the Empire of the West. A careful study of the (Theodosian) Code will correct many a popular and antiquated misconception of that great event. It will reveal the fact that, long before the invasions of Honorius, the fabric of Roman society and administration was honeycombed by moral and economic vices." ²

The increasing "flight of the curiales," the creation of brigands and outlaws, are among the results of the process.

"When the curiales were deserting their functions, abandoning their ruined estates, and trying to hide themselves among serfs, they were loftily reminded by the imperial legislator of the stain which they were attaching to their splendid origin." . . . "The curia had in truth become an *ergastulum* (workhouse), and all the ingenuity of lawyers, all the energy of imperial officers, were occupied for generations in trying to prevent the escape of the slaves of the curia. But the cruelty of their position made them reckless. Many fled to the solitude and hard fare of the hermitage." "As the land became less productive, while the burdens of their position became heavier, the weaker curialis must either fly from his

¹ *Roman Society in the Last Century of the Western Empire*, p. 910.

² This quotation and those which follow are from Book III., chap. ii.

municipality, as so many actually did, or else he must obtain the temporary relief, on whatever terms, from the only capitalist to whom he could apply, the neighbouring large proprietor. This absorption of the smaller by the greater landowners, and the growing power of the latter, is by far the most interesting and important feature in the transition of society from the despotism of the Lower Empire to the *régime* of the feudal lords." . . . "Any one who wishes, at first hand, to know the secret of the disease which was undermining the strength of the imperial system in the West, should read the law of Majorian issued in 458. The fortunes of the provincials are still being eaten away by extortionate and repeated exactions. The municipalities are being deserted by the citizens who have to bear their burdens, but who prefer to abandon everything rather than endure the ingenious chicanery or truculent cruelty of the officers of the treasury. While the smaller proprietors are being bled to death, the agents of the great landowner, in the security of remote estates, placidly ignore the demands of the collector."

Thus a century and a half after Constantine had remitted the taxation that was turning the capitalists and labourers of Autun into outlaws, and after the frequent suspension of taxation and rent in different provinces, the process went on unchecked, until, in 476, the society that could only treat its members in this fatal manner ceased to exist. From its ruins, other forms of society sprung.

"A great estate," says Professor Vinogradoff, "in those times comes to form in many respects a principality, a separate district for purposes of taxation, police and even justice. . . . By and by the

seemingly omnipotent government of the emperor is driven by its difficulties to concede a large measure of political influence to the aristocracy of large land-owners. . . . The disruptive, or rather the disaggregating, forces of local interest and local separatism come thus to assert themselves long before the establishment of feudalism, under the very sway of absolute monarchy and centralized bureaucracy.”¹

These descriptions of the wrong working of taxation and rent, written for a different purpose, give a clearer idea of their nature than any abstract discussion of them. There is abundant evidence to show that the Roman legislators, the responsible managers of taxation and rent, recognized the cause of the evil, and endeavoured to control and keep them within proper limits. They did not succeed. Nor have any of those who, in the intervening centuries, held the same position in different countries. How little were the French people—Government, landowners and producers—masters of these economic forces, when they stood facing each other in an inextricable entanglement before the Revolution. The only solution which they found was to kill a sufficient number of themselves. They have not yet by any means so learned to handle taxation and rent that the producers of wealth feel themselves unhampered. There are mortgages on the owners of land, the interest on which is often a deduction from the returns to their own proper capital and labour, and there are local and national

¹ *The Cambridge Medieval History*, p. 562.

taxes which interfere with industry, and bear too heavily on the payers.

Nor has landlordism, in the shape of peasant proprietorship, secured the position of the cultivators. France has made the most thorough experiment with this system. Industry has passed through times of prosperity and depression during the last hundred years, and these have tested the different forms of tenure. After all, it would seem that the British tenant-farmers were carried over the agricultural depression of 1879-1900 with as little loss as the French small owners. In many cases, the latter own land that is mortgaged. They pay rent in the name of interest. Foreclosures and compulsory sales take place at all times, the average number of these being over 6,000 per annum.

In 1878, before the serious fall in prices took place, the number was 6,370. 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 2,778. 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

¹ Dr. Jacques Dumas, Procureur de la République à Rethel, gives this information in an admirable article in the *Economic Journal*, March, 1909.

According to these figures, the French people have not escaped from the tyranny and destructive grip of rent, and they fare no better with the taxes.

“The scale,” says Dr. Dumas, “according to which assessments are made has never been accurate, and has got quite out of date. . . . One landowner might pay 35 or 40 per cent of his revenue, and another only 05.0 per cent.”

These are days of discontent and aspiration after better things. The eyes of one nation are on the institutions of its neighbours, searching for something which may be adopted with advantage. Cultivating ownership has found many advocates in Great Britain, and the system has been established in Ireland. Denmark and Germany are cited as countries where it has been attended by success, but indebtedness similar to that prevailing in France lies heavily on the producers of both nations. So long as conditions are favourable, with good seasons and rising prices, they are able to keep themselves comparatively free, but even in the present prosperous times, evictions and forced sales take place to a greater extent than is consistent with sound business.

Mr. Adolf Pohlman of Detmold writes that in Germany, during 1905, “737 forced sales of landed estates of all sizes were recorded, covering an area of 44,802 acres, and these were proved to have been mortgaged to the extent of £1,061,445. I do not contend that the same indebtedness pre-

vails all round, but we are travelling towards it ; for, according to the last figures given in the Official Reichsanzeiger of November 30, 1909, the yearly increase in mortgages in Prussia alone amounts to about £15,300,000." ¹

Regarding the security of the producers against the undue encroachment of rent and taxes as the object to be achieved, no final solution has been reached through the Continental experiments. It is true that by their means a much closer co-ordination of the factors of production has been effected than in this country, and this accounts for the comparative prosperity of the people. But these conditions are not stable. The forces of separation in the form of mortgages and taxes which can be increased without regard to actual values are still at work, and waste similar in kind, if less in amount, occurs as it did under the Roman Empire. The curb of valuation has yet to be fastened on these unmanaged economic forces.

If these slight references to conditions in other countries are sufficient to show that the problem has not been solved by their peoples, there is little danger of illusion with reference to the position in Great Britain. No class is satisfied, and every one is conscious of an impending change. In no country, perhaps, has there been the same frank discussion of the subject. Compared with past times, these are days of business prosperity,

¹ *Single Tax Review*, March, 1912.

but the land question is not forgotten. Not much has been accomplished, although a great deal has been done to locate the evil and to suggest the remedy. It is becoming apparent to a greater number of thinking people that the unwise treatment of capitalists and labourers is becoming intolerable.

This view has been expressed so well and so often recently that it is difficult to choose the best statement of it. One of the most adequate yet least known of these was made by Mr. Arthur O'Connor, K.C., in his report as a member of the Royal Commission on Depression of Trade and Industry, which sat in 1886. Written during the depression, and after he had heard the evidence of a large number of witnesses, it is the result of an intimate knowledge of the problem as well as of the most complete circumspection.

“ It appears,” he says, “ that over the entire country there is a cause at work, general, permanent, and far-reaching, affecting every branch of industry, in mine, and farm and factory, the effects of which are traceable in the languishing condition of the agricultural and the mining and the manufacturing interests. That cause is the fact that under the existing land system the owners of the soil are able to obtain, and do exact, so large a proportion of the proceeds of the industry of the United Kingdom that the remainder is insufficient to secure adequate remuneration to the industrial classes, either in the shape of wages to operatives, or reasonable profit to the organizers of labour, the employers or capitalists.”

This statement embraces much more of the

history of Great Britain and Ireland than is generally supposed. There is no period of this history down to the present moment to which it would not apply. Taxation and rent still work against industry as they wrought in Rome. Governments are stronger and less prodigal, but, if the producers save anything from governments, they too often lose it to landowners. Landlordism has had several free runs at something approaching its full power—in Ireland, in the Highlands of Scotland, and on different estates throughout the country. It has opened out pretty fully in pursuit of development everywhere, in railways, mining, manufacturing, agriculture and town expansion. In the first cases, it did its destructive work thoroughly enough to revolt every impartial citizen, and to make members of every class anxious to find a remedy. Something has been done to check this restless and overreaching aggression.

There is no reason why the work should cease until economic elements and forces have been mastered and reduced to order. Taking the interests of the whole body of producers as his charge, the statesman may set himself a task as clear and simple as it is great. In Great Britain and Ireland industrious men are being broken under the weight of rent and taxes. As certainly as ever they were in Rome and France, they are being forced out of active production into the professions of thieves and beggars. This can be stopped. There is land that will absorb

more capital and labour, and, by means of valuation, both can be given a return that will hold them. The co-ordination of the factors of production can be made so close and satisfactory that on this ground no man will have reason to fly off from society, or into any occupation hostile to society.