

## VII

### A PRACTICAL POLICY

As generally presented, the taxation of land values wears the unworkable form described by Lord Robson. By urging the Government to adopt the value of land as the basis of local and imperial taxation, and by excluding from the definition of land value the amount now raised by rates and taxes, we invite them to undertake what seems to be an impossible task. But economic facts and laws do not prescribe, nor will they permit, such a policy. In effect, the occupiers of land regard the sums which they pay in rent to the landowners, and in rates and taxes to the local and national governments, as one payment for the services rendered to them by the community. This is their definition of site value. They will act on this view. What they are willing to give in one form to-day, they will give in another form to-morrow. They will give more, if those of them who are deprived of the use of land get it, and through it the advantage of common services which they are capable of using. It is according to this principle that the value

of land has increased in Australia and Canada under the land tax.

With the repeal of all existing rates and taxes, and with the substitution of one rate and one tax directly on land values, economic rent will rise sufficiently to provide an ample surplus. It will not be difficult to avoid causing hardship by taxation ; it will be difficult to prevent new and improper interests in the surplus from arising. Abundant fruitfulness will be the chief feature of the policy which brings capital and labour into active and steady co-operation with land, which frees them from any charge in the form of rent or taxation calculated to stop their entrance on an enterprise, or to check and diminish the energy with which they pursue it.

This step having been taken, and the position to which it has carried us having been occupied for a little, the point of view of every class will be changed. When we cease to incapacitate the producing machine, and allow it to run full, poverty and the fear which springs from it will disappear. Industry will become a desirable and safe pursuit, equalling or perhaps surpassing in the character of its returns those investments now known as " gilt-edged securities." In any event, the results of this first step will be the most effective argument for taking the second, and the fruits of the second the most convincing argument in favour of the third. The point of view will change each time. Just now there are overwhelming and unqualified

reasons why every one should assist in putting an end to the unemployment and business depression due to the land system and taxation. When that is done, there will be as urgent reasons for going one step further in altering the distribution of wealth by transferring more of the land value to the public treasury. Meantime, little seems to be gained by indulgence in threats, or in professions of fear, about far-off events.

With reference to the means of preventing as far as possible the large increment in land values from going to private individuals and being treated by them as the subject of sale and purchase, it has been suggested that the Government should appropriate this increment according to the method advocated by J. S. Mill. This is necessary, if evils and difficulties in which we are now involved are to be avoided in future. Mill's proposal to intercept the future increment would secure to the community more of the land value than Henry George's proposal to begin by the gradual appropriation of the values now received by landowners. The fructifying influence of this and other reforms will lead to an enormous increase in land values. In whatever manner the problem of existing interests is solved, moral, economic and psychological or political considerations render it imperative as a first step to stop the growth of evils. But for this purpose, the valuation should be of the annual value and carried out every year.

For the rest, there is a growing desire for an explanation of how the single tax on land values could be applied. It is regrettable that Sir William Wyndham did not have the opportunity of putting his very definite statement to the test, and of showing how a tax on land values of 10s. in the pound would benefit the industry and trade of the country, and leave the landowners better off. A Chancellor of the Exchequer, seeing the principle as he saw it, and in a position to obtain the fullest information about existing taxes, is the person most fitted to work out such a scheme.

But, even with the material of the problem which is available to the public, it is possible to suggest how this principle may be adopted for raising all imperial, as well as all local, revenue. In the case of rates, the amount which is paid in respect of any property—any house, office, factory or farm—is known. This is part of the site value of that property. To prepare the assessment for rates, it would be necessary to ascertain the amount of the other part of the site value which goes to the landowner, and add the two. In addition to this, there would be a sum representing the value of undeveloped and underdeveloped land within the rating area. With these three amounts added together, there could be no question as to whether their sum would be equal to one of them. Such a valuation has been carried out for a rural parish in England, and it shows that under the taxation of land values

most of the ratepayers would receive a slight reduction on their present payments, that their improvements would be free from rates, and that the landowner would contribute more on undeveloped land for which there is a building demand.

The problem of imperial taxation seems to be more difficult. There is still a widespread distrust of taxation according to economic laws, and a very firm belief in taxation according to changing, political devices. Many people think they can get at every citizen most inevitably and certainly by taxing importers of tea, tobacco and sugar, distillers and brewers, and persons with high incomes. They are extremely sceptical about taxing landowners and trusting to them with land as an instrument to draw out adequate contributions from every person. They seem to have an imperfect appreciation of the power of land. Some citizens do not use tea or tobacco, some do not use spirits or beer, and unfortunately some do not enjoy incomes which reach the taxable limit. We have never met any one who does not use land.

Although the producing machine would work most efficiently with all taxes levied directly on land values, and although moral development would be most perfect under such a system, men are not yet prepared to use taxation only for the purpose of securing to the State the exact share of wealth which it produces. They levy taxes in respect of alcoholic liquor and of tobacco, in order to increase their price, and to discourage or

prevent their consumption. In time they will be able so to educate themselves, and to provide such reasonable access to other pleasures, that these things will serve rather than master them. But, recognizing that "we must do as things will do with us," and going as far as public opinion will carry us, it is possible to show how the greater part of the existing taxes may be transferred to a land value basis without any shock to existing arrangements.

British Governments are said to have a habit of "muddling through" difficult enterprises. There is much to be said for this policy. In this case they might proceed gradually, imposing a tax on land values and repealing existing taxes simultaneously, allowing the new values to express themselves in the land. But there are those who like to see the road over which they are invited to travel. The question which these practical people ask is: Are the land values of the country sufficient to meet the full demands of taxation? It is easily answered. The land values of the United Kingdom equal the rent received by landowners, plus the revenue of the Imperial Government, plus the revenue of local authorities, plus the unrealized value of undeveloped land for which there is a demand.

Regarding taxes as part of land value, it would be necessary to ascertain to what land and in what amounts they would attach themselves in the event of their repeal. The exact incidence of such

floating charges as customs, excise and stamp duties cannot be traced in every case, but their repeal would find expression in an increased value of land generally. A similar increase would take place with the repeal of the income tax under Schedules D and E, on incomes from trades and professions.

Of the fixed charges, including the property and income tax, the estate duty, land and house taxes, records are kept, both of the persons paying, and, in many cases, of the property in respect of which payment is made. In the last class are the estate and inhabited house duties, the land tax, and the tax on incomes derived from land and houses. These could be treated exactly like the rates, and entered as part of the site value assessment of the properties on which they are paid. The estate duty, so inequitable in its incidence, depending, as it does, on the accidents of death, should be commuted into an annual charge on the value of land.

The scheme involves much work in the way of valuation, and this is regarded as a serious objection. Nothing seems to be grudged so much as the expense of valuation. Food and clothes both cost a great deal, but not many politicians argue directly that we should do without them because of their cost. Valuation is as indispensable for the existence of society as food is for the existence of the individual. Valuation has never been adequately performed, otherwise we should

have had a much more vigorous community. For example, the cost of maintaining the poor in the United Kingdom during the year 1909-10 was £17,731,851. A valuation of land which would prevent even one-fourth of these poor people from being pressed out of their occupations, and from being deteriorated into paupers, would save enough from this item to pay its cost many times. It would add millions to the wealth of the country by keeping people in active production.

The whole land of every country is already valued in the minds of the most capable and reliable men in the countries. In the neighbourhood of every farm, of every building site and of every mine, there are men who have an accurate knowledge of their economic value. But this knowledge has never been gathered up and utilized. This could be done by official valuers, if they were to call these intelligent men together and elicit their knowledge about each holding. It is a task which requires care and the expenditure of money, but no money could be more profitably spent. The voluntary services of tenants and landowners at such meetings would speedily provide a complete and scientific valuation. With security of tenure for tenants, there would be a frank and independent, yet dignified and courteous, exchange of opinion among different classes which in itself would bring a new spirit into business.