

CHAPTER XII

SOME OBJECTIONS CONSIDERED

"The truth that I have tried to make clear will not find easy acceptance. If that could be, it would have been accepted long ago. . . . But it will find friends—those that will toil for it; suffer for it; if need be, die for it. This is the power of Truth."—HENRY GEORGE, *Progress and Poverty* (concluding chapter).

"Macaulay somewhere says that if the admission of the attraction of gravitation were inimical to any considerable pecuniary interest, there would not be wanting arguments against gravitation."—*Ibid.*, Book VIII, ch. IV.

It is not surprising that the proposal of such a far-reaching reform, for which its advocates make such high claims, should call forth doubts and objections, and that these should come, not only from those who regard themselves as threatened with the loss of privileges to which they think themselves entitled by moral right as well as by long prescription, but also from men of good will who feel that the contemplated change might not be in all respects for the common good. Some of these objections are due to a failure to remember that the tax on land values is not proposed as a new and additional tax, but a tax in substitution for existing taxes that penalize industry, improvement and thrift. Some of them are mutually destructive and "cancel each other out."

Every advocate of the Taxation of Land Values is familiar with the question: will not the tax be shifted by the landlord on to the tenant or user of the land by an increase of rent? Such a question comes naturally enough to people who have lived all their lives under a system of taxation which imposes tax after tax on manufacturers, importers or distributors with the knowledge and the intention that it will be passed on to their customers. Something has already been said on this point.¹ It may be added here that this objection to our Reform is, like some others, unintentionally refuted by our opponents, who complain that

¹ See chapter V, pp. 50, 51.

such a tax, by bringing into the land-market large quantities of land now withheld from use, will lessen the value of their "investments" by reducing the rent or price of their land. That is to say, they agree with the unanimous verdict of the economists that a tax on land values cannot be "shifted." It stays where it is put. There has never been any answer to the question : Why, if it is quite easy for the landlords to escape the tax by adding it to the rent, do they spend such large sums of money, and such a vast amount of organized effort, in resisting its imposition ?

But, if the taxation and rating of all land on its value brings so much land into use, will this not lead to over-building in our towns, the obliteration of open spaces, the erection of sky-scrapers? Those who raise this objection overlook the facts that, in London, for instance, where the danger might seem greatest, there are the Building Bye-Laws of the L.C.C. limiting the height of buildings; that the subsoil of the Thames Valley is very different from the rocky foundations that carry the sky-scrapers of New York; that sky-scrapers are built on very dear land, and that the taxation and rating of land values will make land cheaper ; and that, in New South Wales, where rating is almost entirely on a land value basis, no such ill-effects have followed. The sky of the Metropolitan City of Sydney is still unscraped. It is under the present system of rating that, in this country, the mass of the workers have been housed in terrace houses with mere patches of garden, or in tenement blocks with no gardens at all. The effect of land value rating, the cheapening of land and of building materials, will give them better houses with larger gardens.

But why, it is sometimes asked, single out one class in the community for special taxation ? The answer is that no advocate of our Reform proposes to do anything of the sort. It is proposed to take for the use of the community a great fund which has been created, and is constantly being maintained and increased, by the community, *i.e.*, by every class, and should be used to defray the expenses of the community. This fund, instead of being paid into the National and Local Exchequers to meet the expenses of National and Local Government, has been collected by

certain citizens and converted to their own use. When taxation of land values reaches its logical conclusion and all the "economic rent" of the country is paid into the public treasuries, every citizen in every class will be paying to the State directly or indirectly, under the name of a tax, but really in the nature of a rent, in proportion to the share in the benefits of the gifts of Nature and of the "good government of the State" which are placed within his reach by his occupation of his particular plot of land.

The suggestion, sedulously put forward by some of the professed followers of Karl Marx, that the "single tax" is a scheme of the capitalists for shifting the burden of taxation from their own shoulders on to those of the landlords, is founded upon pure delusion. This sort of protest comes rather oddly from the followers of the author of the famous *Communist Manifesto* of 1847, which had as its first plank a demand for "abolition of property in land," which he said was the "basis" of capitalism, "and application of all rents of land to public purposes." There was little reason for it when only Marx's first volume was available. There is none at all since the publication and translation into English of the third volume of *Das Capital*.¹ Moreover, are not taxes on the owners of capital now passed on to the users of capital and the consumers of the goods which, with its aid, they produce?

One more protest against the alleged injustice of the reform to some landlords demands a brief reply. It is said to be unjust to tax landholders upon the full market value of holdings from which they are deriving little or no income because the land is at present being put to little or no use. There is nothing new in this line of argument. For instance the late Charles Bradlaugh, when M.P. for Northampton made several attempts (with the warm approval of John Ruskin)² to legislate against the keeping of land out of its best use. "*The Times* talked of 'downright plunder.' The

¹ See the extracts given above in chapter IV.

² When Henry George addressed a great meeting in London on January 9th, 1884, with Henry Labouchere, Mr Bradlaugh's colleague in the representation of Northampton, as Chairman, Ruskin wrote "wishing Mr George all success in his efforts and an understanding audience."

Spectator was especially indignant on the score that 'great properties in the home counties, kept vacant in the hope that London will build on them, would be confiscated.'¹'' The writers of these diatribes were ignoring the fact that the withholding of these lands from use was preventing the production of the food or building material which might have been extracted from them, or the erection of the houses which might have been built on them, and consequently the employment of labour upon them. The payment of a tax is but a poor recompense to the community for such social wrongs, inflicted upon a community in which housing shortage and disemployment have become chronic and acute. Such a crime against Society might be held to call for a much harsher penalty than even the exaction of a full rental payment to the State, for these withholders of the source of all wealth are, as it were, fencing an oasis against people who are perishing of thirst. Yet the demand is only that they should be treated exactly like other landlords. Although they may be deriving no present income from the land they hold, it has a value which has been created and is being enhanced by the presence, needs and expenditure of the surrounding population. The value is there, inherent in the land. They can, at any time, realise it by letting or selling the land to those who will use it for the employment of labour and the production of wealth. It should be unthinkable, in a civilized society, that landlordism should be allowed to go on manufacturing unemployment, poverty and slums.

When chattel slavery—twin brother of landlordism—came up for judgment, and its defenders had been beaten on every religious, moral and social ground, they produced the hard case of the poor widow who had only one slave, or a slave or two, to depend upon. Their sympathy was altogether with the widow, whom they put forward as the symbol of the "right" of one human being to "own" another. The idea that the "nigger" could have any right to himself found no place in their thoughts. So it is now, in the struggle for equal rights in the common heritage. The widow and orphan, the small freeholder, the thrifty

¹ JOHN M. ROBERTSON in *Charles Bradlaugh : his Life and Work*, II, 183.

member of a friendly, co-operative or insurance society are placed in the forefront of the army that is defending privilege in the hope that the attacking force may be compelled to sound the "cease fire."

W. S. Gilbert may have had some such idea in his mind when he wrote *The Pirates of Penzance*. His pirate captain was under a vow not to rob the orphan. The vow became known, and he discovered to his amazement that the British mercantile marine was apparently manned entirely from the orphan asylums. All the great landlords, who have inherited huge estates from their fathers, are plainly orphans !

A thrifty workman has bought through a building society a small suburban freehold house in which to live with his family. Do we propose to make the poor honest workman pay a tax on the capital land value of his holding? Well, why not? The value of the plot upon which his house stands is, in character though not in amount, as much a community-made value as the value of the Duke of Westminster's great estates. He has become the occupying-"owner" of a part of the nation's land, and should, as well as the Duke, pay his dues to the State. Again, why not?

Before he bought the house he could only have a home by paying a "rent" which included (a) rent for the site, (b) "rent" for the house (interest on cost of building), and (c) rates, based upon the sum of the two foregoing items. He has elected to capitalize (a) and (b) by buying the freehold. But there is no method by which he can capitalize (c) so as to escape paying the quarterly or half-yearly demand for rates. Moreover, he and his family cannot live in the house, or anywhere else, without paying taxes, direct or indirect, on most of his necessities, comforts and amusements. Then falls upon him the "blow" of the National tax of a few pence in the pound on the capital land value of his site; a tax which, now being freeholder, he cannot deduct from any payment to a landlord. It is a payment justly due to the community which has created and is maintaining the value of the site; and it would not be a very grievous burden, even if there were nothing to offset it. But the object

of the tax, which is falling at the same time upon much more valuable land in and near the centre of the town, is to make possible the abolition of some of the oppressive taxes, which increase the cost of living and make employment less certain and less well paid. When the amount of the tax is increased, further relief from other taxes will follow. When the Land Valuation is made the basis of local rating also, he will pay his rates on his land value only; the value of his house will become exempt from assessment and rating; and he will not be deterred from making desirable improvements or additions to it by the fear of an increase of his assessment.

But the value of his *investment* will be diminished under the new system? Admittedly; but he did not buy his house as an investment, but primarily for a home; and its value as a home will not be lessened even if its selling value has gone down. True, he may wish to sell his "property," because his family has increased and he needs a larger home, or because a change of employment compels him to live elsewhere; and, apart from any improvements he has made in the house, may have to sell it at a smaller price than he gave for it. Very probably; but, as the reform will have cheapened land all round, he will also get a larger house at a lower price than it would cost him now. A profit and loss account would certainly show a very substantial balance of gain under the new system of taxation.

A claim for exemption from land value taxation has been made on behalf of building, friendly and insurance societies, especially those of the "industrial" order, which have large investments in real estate and mortgages. So far as mortgages are concerned, there is no proposal to make them subject to such taxation: the mortgagee is no more the owner of the value of the land or house than a pawnbroker is the owner of the articles upon which he has advanced money: he has only a lien on them. If the mortgage is foreclosed, or the mortgagee is in possession and takes the place of the owner of the land value, he rightly has to take over the liability for the tax. The Societies do not speculate in bare land, but in land covered with houses, which, in the case of the small purchaser, are almost

invariably of far greater value than the land on which they stand. The owner of house property and the members of the Society will profit, as already shown, by the great change in the basis of rating and by the remission of taxation on goods, etc.

Some years ago, when this question was being discussed in connection with the Lloyd George *Finance Bill*, a Liverpool Building Society issued a leaflet¹ claiming that taxation of land values, "by forcing land into use will make building sites and building materials cheaper . . . and render it much easier for people to become the owners of their own homes."

In a controversy with Mr E. G. Hemmerde, K.C., and Mr W. R. Lester, M.A., Mr W. G. Bunce, a Senior Trustee of the Hearts of Oak Benefit Society, stated that his Society, with a membership of nearly 300,000 and reserve funds of close upon £3½ millions, had £1,612,210 of this reserve invested in ground rents, upon the income (£61,987) from which a penny tax on capital land value would impose a burden of £6,100. *This works out at less than 5d. per member per annum* for National taxation. If the proceeds of the tax were applied in reduction of the Breakfast Table Duties,² Mr Hemmerde pointed out that the members would save a far larger sum on their grocery bills.

The "penny in the £" figures were used, of course, merely by way of illustration. The gradual increase of the tax, with progressive remission of existing taxes, would give these Societies plenty of time to adapt themselves to a changing social order, while the people, for whose benefit they exist, would be reaping the benefits of a just system of taxation in steadier employment at higher wages with increased purchasing power.

It is probable that some co-operators will make a claim for the exemption of their Societies from the new tax. Co-operative Societies are bodies of consumers, mainly, but not exclusively, working folk, organised in societies with "limited liability" for the distribution among themselves of goods which they purchase or manufacture or

¹ See *Land Values*, January, 1911, p. 183.

² Since the imposition of a horde of "protective" taxes this argument has been greatly strengthened.

import. Under the present methods of taxation they are hard hit as consumers,¹ as distributors, as importers, and as producers. They stand to gain under every head by a reform of national taxation; and by land value rating, for co-operative buildings—central, administrative, educational, distributive and productive—are always substantial and frequently imposing.

If these Societies are to hold land free from the duties toward the State which landholding entails why not exempt other limited liability companies? Why not (say) the "Earl and Countess of Dudley, Ltd." Why not the Earl and Countess—without limitation? Why tax land values at all?

The objection has often been raised, that, supposing that the land values tax becomes the only "tax," taking for national and local purposes the whole of the annual value of the land, its proceeds will probably not be sufficient to cover the whole of our national and local expenditure.

The main question, therefore, is whether we can raise by the "Single Tax" enough money to pay the (more than) £700,000,000² which is now collected from the people of Great Britain by a multiplicity of taxes. The fact that no complete valuation of our land has yet been made, and that any estimate can only be guess-work, makes it impossible to state the reply in definite figures. But, if the arguments already advanced have any validity, there will be no need to raise anything like the colossal amount which is now squeezed out of a long-suffering population.³

The replacement of all the existing taxes by one single charge—call it tax or rent, as you will—based upon a standard valuation, would obviously mean an immensely reduced cost of tax collection. The costly and irritating

¹ The Co-operative Wholesale Societies distributed 116,000,000 lbs. of (taxed) tea in 1933. The savings of the Co-operative movement by the abolition of indirect taxation of this sort would be colossal.

² The total National Revenue 1934-35 was £804,629,000, of which (including net Post Office profit and taxation, described as "self-balancing" for the "Road Fund") £722,062,000 was raised by taxation. Rates collected (Great Britain) £171,874,000.

³ See *Light on the Land Question*, pp. 28 ff.

inquisition into the citizen's private affairs, necessitated by the excessive complications of the Income Tax Acts would no longer be needed; nor would the elaborate organization now maintained at great expense, not only to collect the duties of excise and customs, but also to prevent the evasion of their payments by the smuggler and the shebeen-man. When the root-cause of the two great domestic evils—disemployment and housing shortage—has been destroyed, the Unemployment Fund and Subsidies for Housing—will be progressively reduced and finally cease to be burdens upon national resources. The charges upon the State which are, directly or indirectly, due to land monopoly and its twin evil, unjust taxation—poverty, slums, sickness, vice, crime—will be abated; again to the relief of the Exchequer (and of the rate-fund); and so on.¹

A large part of the terrible increase of public expenditure since the Great War has been due to the burdens resulting from past wars and the preparations for future ones.

In feudal times, when the King waged war, the Crown's tenants-in-chief were responsible for furnishing the means, by personal service or in money and equipment. It was not till the landholders rid themselves of the obligations under which they held their estates that any other arrangement came to be considered necessary. Those who held the land in this country were expected to regard it as a "country worth fighting for." William III partly restored the feudal dues, but not to an extent sufficient to cover the cost of his wars. Thus arose the National Debt: one of the very few public institutions to which the adjective is always applied. In 1697, it had reached what was then rightly considered the alarming figure of £5,000,000. It has increased, through other wars, to £769,541,000 in 1867, and stood, in the year of Grace, 1934-35, at nearly ten times as much, *viz.*, £7,679,000,000. The service of the Debt, which we, its bond-slaves, have to render in payment

¹ The latest official return of the cost of the "Social Services," largely necessitated by the poverty of the people, states that in 1931-32 the total of such expenditure in Great Britain was £490,000,000 (rates and taxes) equal to more than half of the total raised for all purposes in the whole country.

of interest and usually a small repayment of principal, absorbs something like a third part of the taxes we have to pay. Those who protest, as we Henry George men do, that bygone Parliaments of landlords had no right to legislate so as to deprive future generations of their rights in the land of their birth, may well doubt whether bygone Parliaments were justified in carrying on wars, in pursuit of purposes which in many cases were soon found to be useless or actively mischievous, and to impose their cost as a perpetual burden upon future generations. An enormous addition was made to the Debt as the result of the conflict of 1914-18. Much of the money was spent in the feverish manufacture of munitions, which were intended to be almost immediately destroyed in the process of destroying the lives and property of other peoples. It is doubtful whether governments would be allowed to go to war if it were imperative that the costs should be met as it were in "spot cash," without creating a public debt; for that would mean the conscription of wealth as well as of man-power. In the seventeenth year after the Armistice, it is still a scandal that appeals should have to be made for jobs for ex-service men who are out of work, while many who stayed at home during the War, are enjoying secured incomes from interest on War Loans.¹

The conversion of the Debt at a very low rate of interest, and the rapid extinction of the principal, would find very general support as soon as the land value fund—shown by history to be the proper resource for such a purpose—becomes available. But there are many who would favour the idea of repudiation.²

Some such suggestion has been frequently made in connection with another debt. During the War, our Government borrowed very heavily from the United States, mainly on behalf of our Allies, who are now unable or unwilling to repay us, while our transatlantic creditor is asking repayment, at least in part. Payment of such large sums by the actual transfer of money or gold is neither possible nor desirable nor desired. Accounts between nations are

¹ Estimated expenditure on "Debt Interest and Management," in 1934-35, £224,000,000.

² On Public Debts, see HENRY GEORGE, *Social Problems*, ch. XVI.

normally paid by the transfer of goods. In face of the curious belief that the sending of goods into a country is an unfriendly act, to be prevented, or at least severely restricted, by tariffs, the question of paying off such a debt is still further complicated. If the payment is to be made tariffs must go ; and the only alternative to them, other than new taxes upon trade and industry, is a tax on land values.

The Reform which we advocate, rightly understood, should make a very wide appeal. The abolition of unjust taxation and the restoration of economic freedom by the break-up of land monopoly offer to every section of reformers the fulfilment of their legitimate aims by a method easier and surer than any other that has yet been proposed. The attempts to solve the two desperately urgent problems of unemployment and housing shortage by treating them as separate problems has failed, because it has not been realised that these social evils are merely by-products of the fundamental wrong of land monopoly. Trade depression persists because the land, from which all the raw materials of industry and commerce must come, and upon which all the processes of production must be carried on, is monopolized in all the countries that call themselves civilized.