

circumstances so require. The establishment of security of tenure will go some way at least towards securing that the capital equipment which the land requires is provided. A tenant who is liable to be turned out at any time is naturally disinclined to spend money upon improvements which will not yield a quick return.

It is not clear what Sir Daniel means by "the collateral gains which come with increased production." If this is intended to refer to increase in the land value or economic rent, then there is a very simple means of securing that the gain accrues to the State and that is the taxation of land values.

It should be evident that if the State purchased all the land it would in the vast majority of cases leave the present occupier in possession as tenant of the State. The State in all those cases would not take possession of the land, but would merely receive the rent. If there was a dispute as to whether the rent was equitable or not, there would have to be machinery for settling the question in an impartial fashion. If, therefore, that machinery were set up otherwise, all the practical advantages of security of tenure could be obtained without the financial disadvantages of State purchase. Purchase at the present time is an especially dangerous proposal in view of the increase in land values which has taken place in recent times and which Sir Daniel himself points out.

It is suggested that the basis of purchase should be some number of years' purchase of the annual value as fixed for Schedule A of the income tax. It is extremely doubtful whether this is either an accurate or a uniform valuation. Recent legislation which has enabled the Inland Revenue to substitute the actual rent paid for the value established at the periodical reassessment has probably increased the anomalies. But whether the proposed basis of purchase is fair or not, the transaction is unnecessary for achieving the purpose in view.

The question remains, if agriculture in this country is not to be subsidized, how is it to be saved? The answer perhaps may be found in following the example of Denmark, Holland and Belgium in none of which have agricultural protection or subsidy played any great part. Their agricultural economy has been built up upon a frank recognition that they must adapt themselves to the conditions of the present day. They have accepted imports of cereals from the Western Hemisphere at low prices and have used these as the basis of an intensive animal husbandry together with the growing of perishable products such as vegetables and fruit. There is still a large potential demand for these things. The urban population will in time learn that canned and preserved foods are no substitute for fresh food.

At the same time our system of land tenure and taxation must be revised so as to secure that the value of land goes to the state, that he who improves land is not taxed upon the value of his improvement, and that the occupier has security of tenure at a fair rent which will encourage him to make the most of the land.

4d. KARL MARX'S THEORIES OF SURPLUS VALUE AND LAND RENT. By F. C. R. Douglas.

COMPLACENCY ON THE TAXATION FRONT

A LEADING article entitled "No Death Duties," in the *Manchester Guardian* of 17th July, has in it a number of reflections which are worthy of comment. Here is the article:

The Isle of Man has refreshing qualities quite apart from its sea breezes. There more than anywhere else in the British Isles (perhaps even in the British Commonwealth) the spirit of the Victorian age lives on. Where else could we find a Legislature solemnly refusing even to inquire into death duties? Where else could we find a sturdy elected representative of the people laying it down that "the foundation of justice was that there was one law for everyone, rich and poor. All graduated taxes like this outraged this principle."

We should have to go back to Hansard of 1894 to find a worthy companion for the honourable member. But in one respect the Isle of Man is unique. Its House of Lords (the Legislative Council) is in favour of an inquiry into death duties; the Commons (the House of Keys) is against it by thirteen votes to five. It is an odd business. The explanation probably lies in the words of Mr Samuel Norris, one of the most respected of the Isle of Man's few Progressives: "In all the history of the Tynwald Court it had been constituted very largely of people who were owners of land and property and came to their seats on that basis."

Thus it is possible for this delightful island to put aside such dangerous things as unemployment insurance (which might affect wages), death duties (which would reduce unearned wealth), and an excess profits tax (which would curb war gains), to keep income tax low even in the war, and to raise the bulk of Government revenue from indirect taxes. There is no nonsense about "the century of the common man" there.

To deplore the maldistribution of wealth has become among publicists almost a formality. By now it must have lost the force of novelty among a public accustomed by the same authorities to consider a government much more as a universal provider than as a safeguard of liberty. Nevertheless, among the people the sense of injustice still smoulders, ready, according to the turn of events and to the quality of public discussion, to help the reformer to strengthen society or the demagogue to destroy it. Hazy thinking when published in newspapers is thus of greater consequence to the average man than he often realizes.

False arguments for a good cause open the way for good arguments against it. If unsound solutions for our troubles are the only solutions the masses are permitted to hear, intellectual integrity itself reduces the best citizens to that state of doubt and hesitation which forms a nucleus for apathy and cynicism. Examples of democracies which at the last, supreme moment have failed to find a reserve of enthusiasm are too close to enable us to be indifferent to this consideration.

Consider how this *Manchester Guardian* article treats the argument that justice is founded on there being one law for everyone, rich and poor and that graduated taxes like death duties outrage this principle.

In a tone of derision-cum-more-in-sorrow-than-in-anger the writer condemns the argument as "Victorian" and without the slightest attempt to examine the principle involved. And he continues with some observations on taxation from which we can only assume that he considers the modern trends approach perfection although one remark, suggesting that death duties are levied only on unearned wealth, might startle some readers. A newspaper suspected of Free Trade leanings would of course be hypersensitive on the subject of Victorianism; but is it not becoming slightly *démodé* to assume that every social arrangement of an age which knew not the gas mask was the work of knaves, fools or hypocrites?

Could some contemporary of Macaulay revisit the earth he would indeed be impressed by the progress which has been made in machines to spread death and propaganda. But the technical and scientific progress he might attribute to individual intelligence and research, working on knowledge acquired by past generations, rather than to the excellence of our social arrangements—for which he might indeed wonder if we had much enthusiasm ourselves. The tendency of modern governments to take from the rich (and not so rich) just because they have it and to distribute *via* the euphemism of social services to the masses who sway elections, and *via* subsidies and other means to powerful interests which influence party machines, might appear to him less like a genuine cure for economic disparity than the modern form of those methods by which some Roman dictators buttressed their power while seeking popularity with the mob. Moreover, if this ghost from the past could insinuate his shadowy form into some private conferences of accountants, lawyers and estate managers it might strike him that a confiscatory tax, however crude in principle might be so complicated and expensive in practice as to impose on society the maintenance of a vast army of non-producers and in the end put a premium on cunning.

To this ignorant Victorian our modern trends of taxation might appear a direct discouragement to those qualities of efficiency, self-reliance and public spirit which he had seen develop in his own time under a different tendency in legislation and which had been accompanied by a remarkable increase of national wealth, power and confidence. He might even suspect that our disappointing achievements in production and inventiveness for war might be traceable not only to the previous encouragement of the monopoly so fatal to efficiency but also to a system of taxation which increasingly levied heavy fines upon successful enterprise.

Few of us to-day are likely to assess Victorian England entirely at a Macaulay valuation, but the appalling results of complacency in kindred spheres must surely warn us against the dangers of complacency towards any social question. The *Manchester Guardian* and other media of progressive thought might serve their readers much better by meeting apparently reactionary arguments on the grounds of

principle instead of in a spirit of derision.

If our professions of liberty are sincere we must of necessity deny the justice of any law which draws a distinction between rich and poor. But instead of using this principle to justify the existing disparity of economic power we must use it to equalize that power at its source. As every man's first and constant necessity, either to produce or live, is access to land this must constitute the source of all economic power. Far from equality between rich and poor at this point, however, one finds that our laws give access to land in exact proportion to wealth. By law and not by nature the rich man is enabled to cut off his fellow countrymen from the use of land, or to levy a toll upon all who produce from

or use land. Money buys a legal privilege to collect wealth.

As the value of land itself—apart from any improvements made by the occupiers—grows with and is created entirely by the presence and activities of the community as a whole the principle of equality requires that this value should be collected for public purposes. Were this done no occupier could hold land without putting it to its best use and none could draw a toll upon the labour of others. Moreover, by applying justice at the source of production the means would be created to apply justice to the secondary stages of exchange. All those other taxes and restrictions which depress industry and discourage thrift—violating the principle of equality at every point—

might be progressively removed as taxation was transferred to the value of land.

Although this proposal has as yet been applied only to a small degree, and in some smaller administrative areas, the results of practice all go to demonstrate the soundness of the principle. It has been discussed, elaborated and advocated by economists and social reformers whose names and works have long achieved permanent fame. It must be known to every economic writer in such a newspaper as the *Manchester Guardian*. The average man might indulge in some interesting speculations were he to realize the importance of this question and its constant omission by publicists from discussions in which he is so deeply concerned.

F. D.

THE LAND REVENUE OF BENGAL

THE BENGAL Land Revenue Commission whose report we reviewed last month issued a questionnaire which was answered by a large number of witnesses. Among these was the Rev Victor J. White of the Australian Baptist Mission at Mymensingh whose evidence was of particular interest. Space does not permit us to reproduce all the 91 questions and answers, but only a summary of some of them.

Answering a series of questions which asked whether the Permanent Settlement had fulfilled the expectation of its makers by benefiting the tenants through the zamindars acting as improving and generous landlords, and whether the annulment of the Permanent Settlement would be a breach of faith, Mr White said:

"In my opinion the Permanent Settlement placed a weapon in the hands of the zamindars for destroying the rights of the people who are tenants as they existed at that time.

"The Permanent Settlement secured the zamindar against increase of contribution for revenue, but did not secure the tenant against enhancement at the will of the zamindar. The zamindar for the most part continued as a rent collector, increasing his gains; but did not fulfil the hopes of those who framed the Permanent Settlement, that is that they would be benefactors of the tenants, improving their land.

"Before the Permanent Settlement, the zamindars were rent collectors and not proprietors of the soil. They date their permanent right in soil from 1793. The Permanent Settlement sold the birth-right of the people, and it is doubtful whether any Act or Government has the right to do so in perpetuity. That a pledge was given cannot be denied, but however we are clear that it was an error, and now self-government has come into force all our weight should be thrown into the argument that there is no point in such self-government if it must be bound by every error as well as by every sound doctrine of its predecessor.

"The Permanent Settlement did not encourage zamindars to extend cultivation by their own initiative, it encouraged them to increase their income from the legitimate labour and pioneering spirit of the peasant class from whom they exacted the regular rent. The pressure set up by increase of population accounts for the extension of

cultivation in areas formerly covered with jungle. Here again it was the enterprise of the tenants who braved the terrors of the jungle to bring it under cultivation. The zamindar does not seem to have spent his own money for effecting such improvements.

"Practically the whole increase in value has been created by the community and it is this unearned increment collected in the form of rent that largely explains the large increase in value, from the time of the Permanent Settlement, viz., 3 crores compared with present valuation which may prove even more than 16 crores as stated. One may quote the statement of Sir Michael O'Dwyer concerning the Punjab which may just as easily be said of Bengal:—

"We took over the Punjab in 1840. It had an area of 80,000,000 acres of which 12,000,000 only were under cultivation. The average value was then 5 shillings per acre. There were no roads, railways and canals. In 1920, as the result of security, railways and canals, 30,000,000 acres are under cultivation and 12,000,000 acres irrigated at an average of £25 per acre. Thus the capital value of land has risen in 70 years of British rule from £8,000,000 to £750,000,000."

"It would be interesting to have a similar statement concerning the increase in land values of Bengal.

"The Permanent Settlement from the point of economic interest was fundamentally unsound and unwarranted. It benefited the landlords at the expense of the tenants, because the unearned increment or portion of it no longer found its way into public revenue, thus whereas 10 per cent was given to the rent collector and 90 per cent went to revenue, now 10 per cent goes to revenue and 90 per cent to private interests."

As a remedy Mr White advocated "the collection of economic rent for the purpose of revenue. This means that the unearned increment created by service both of the public and of the State will be secured for financing the various needs of government." All land whether permanently settled or otherwise should be valued in the same manner and the economic rent paid to the State. No intermediary right created by sub-infeudation should be permitted to prevent the Government from realizing what is due to the revenue from the unimproved

value of the land. If these intermediaries were obliged to pay their share of the tax, they would in course of time be eliminated.

He did not favour compensating the zamindars who, because of increase in values, "have had considerable compensation since the inauguration of the Permanent Settlement."

He pointed out that it was quite fallacious to think of fixing rents in perpetuity either for the zamindar or for the tenant. "Tenants as a whole do not object to the payment of a fair and equitable rent. What they object to is the fact that only a small fraction of their rent goes back in the way of public service, as same is intercepted by the zamindari system. We would be repeating the mistake of those who framed the Permanent Settlement if we contemplated fixing rent for all time." He said that "economic rent should be paid in proportion to the fertility of the land and on account of the value created through public enterprise in the way of communication and other facilities" and the "market value should be taken into consideration." The rent should be based on the value of the land apart from the improvements. "The tenant should not be deprived of the fruit of his own labour by collecting the same in the shape of rates. It is the value which he does not create which should be the legitimate claim of the State."

Subsequently Mr White gave oral evidence and in this he mentioned that land value taxation had been applied in Northern Nigeria, Denmark, and the cities of New South Wales, and explained in some detail the principles which underlay the proposal and the means by which it could be carried out. We must heartily congratulate him upon both his written and spoken evidence.

A Devonshire farmer's wife showed herself willing and accommodating in taking in evacuees at the billeting officer's request. In due course the farmer received a questionnaire followed shortly by an intimation from the local rating authority that the assessment of the house was being raised, as it was not being used solely as an agricultural dwelling-house. The consequence naturally is that the occupier refuses to look at evacuees now. This seems a good healthy minor outrage. —JANUS in the *Spectator*, 31st July, 1942.