

THE SOCIAL EFFECTS OF THE TAXATION OF LAND VALUES

The land campaign to all appearance rests still at the point at which it had arrived a month ago, and yet perhaps there has been an onward flow though the upper surface of affairs remains unruffled. Mr. Lloyd George has spoken at Huddersfield and several times in the House of Commons on the land question. Each time the point on which he has scored has been the great divergence between the assessable value and the selling value of land. It is worthy of note, too, that in using illustrations of this kind the Chancellor of the Exchequer did not question the validity of the sale value but only the propriety of the basis of assessment. This is a matter of considerable importance for there are persons who would like to allow private individuals to acquire land on the basis of valuations fixed by Land Courts or bodies of that nature—a process which is called by the euphonious phrases "fixing the value of land" and "acquiring land at a fair value."

Such proposals are ineffective, if not positively pernicious; all that they can do is to divide the land value between two persons where formerly it would have gone into the pockets of one, but to the rest of the community they are of no advantage. Suppose for example that in a certain town land can be obtained on perpetual lease at £100 an acre per annum, this being the normal price paid for it. If the Land Court compel the proprietor to lease it at £80 to a builder, this will be £20 to the advantage of the builder and to the detriment of the proprietor, but it makes no difference to the people who will in time live in tenements built on the site.

Still, it may be said, if the Land Court deal drastically with the situation, conduct their operations on a large scale, and offer to compel proprietors of undeveloped land to lease to suitable persons at enormous reductions, then there would be an appreciable effect on the land market all round, and the price of land would really fall and not merely be diverted into the hands of a new set of landlords. All this, indeed, is conceivable but not in such a society as ours. The expense of a Land Court operating on such a scale would be so enormous as to be prohibitive. The political opposition not merely of the vested interests, but of the great mass of people who are strongly individualist at heart, would be strong enough to prevent the experiment ever being carried through; and the Government themselves in the proposals which they have made for dealing with the case of traders who hold shops on lease have expressly ruled out the idea of the Land Court fixing the value of the land at anything else than the normal market value of the moment.

But even if the difficulties of cost and objection to public interference with private business were

overcome, how arbitrary, cumbrous, and inefficient the method would be. As the operations of the Land Court proceeded year after year the state of demand and supply in the market would be continually altered—if indeed any market were distinguishable in the resultant chaos—and the rents previously fixed would have to be continuously readjusted. Buildings and other improvements would still be taxed and the discouraging effect of that taxation still persist. In the end to find a firm standard for their operations the basis of market value would once more have to be resorted to.

Yet, everyone is agreed that the price of land is too high, and that something must be done to break down the monopoly which causes the price to be so high. What meaning is to be attached to the phrases "the price of land is too high," and "land monopoly is the cause of the high price of land"? Only one definite meaning—that the artificial stint caused by holding land out of use enables landowners to demand and compels buyers to pay high prices as a normal feature of their dealings in land, and that these prices are too high in comparison with an ideal price which would prevail if there were no speculation in land value or holding of land out of use. The first business of the land reformer is to make this ideal price an actual price, or rather to cause land to be put to its best use, for this is the means to that end.

It is here that the value of the taxation of land values—apart from its merits as a just source of public revenues—lies, and in this is the importance of the Chancellor of the Exchequer's statement that it was not the price of the land he objected to but the fact that the landowners were not taxed on it. For to tax land on the basis of its selling value would make it uneconomical and impossible for its owners to hold it out of use, and so land would become available to the extent that it was required and at a price neither too low nor too high, at a non-monopoly price.

But although all this lies implicit in the Chancellor's speeches, it has never yet been explicitly stated by him, and this is the statement that the great body of his supporters are waiting for him to make. Reference is made elsewhere to the resolution passed at the annual meeting of the Yorkshire Liberal Federation which, "welcoming the land and housing reform proposals," trusted "that in their complete form they would be of such a nature as to break down the monopoly value of land." The feeling of the Yorkshire Liberals is the feeling of Liberals and land reformers everywhere. They want Mr. Lloyd George to talk of the social effects of land value taxation, of how it will unlock the land and make it available at a reasonable and fair price, of how it will untax industry, and of how when this is done the streams of economic life will flow gently and beneficently in their proper channels.

F. C. R. D.