

THE RATING OF LAND AND ITS INFLUENCE ON ITS CULTIVATION.

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It is remarked in the evidence of the Central Land Association, which is published in the Report of the Departmental Committee on Local Taxation, that, inasmuch as occupiers of agricultural land require for their business an amount of rateable property which is large in proportion to their ability to pay rates, an undue share of local burdens is imposed upon them as compared with other ratepayers, and especially those who neither own nor occupy any rateable property except the home in which they live. Thus, a farmer rated at £500 a year and earning an income of half this amount pays considerably more than the owner of a private income five times as large, and living in a private house upon which he is alone rated at £100 a year. It is, and has long been, claimed that the agriculturist pays much more than his share of local taxation as compared with other ratepayers, if net income or ability to pay is accepted as the basis upon which rates should be levied.

Lord St. Aldwyn, in giving evidence before the same Committee, expressed the opinion that the rates were a heavier burden upon the poor than upon the wealthier class, and this especially applies to the many small occupiers of land. The equalisation of the assessment of rates under the existing system, which is gradually breaking down, is practically impossible. There is no uniformity in the method of valuation, while the rateable value alone is quite insufficient. The rateable value of a given parish is not a fair measure of the ability of that parish to pay towards the general fund, unless, says Lord St. Aldwyn, you supplement the existing system of rating with something else. You may have one parish with a considerable number of wealthy residents, while in another there may be only a few farmers and agricultural labourers. In such cases as these neither ability to pay, the system of assessment, nor the rateable value are fair measures of the ability of the parish to pay.

While, as we have shown, successful farming depends largely on the man, there can be no satisfaction in the conduct of a business which is constantly hampered by unfair or excessive taxation. As we shall endeavour to show, however, the substitution of the existing system of rating by a charge on the value of land will not only remove the burden to which farmers so strongly object, but will exert a marked influence in the development of land, with the result that tenant farmers and labourers will be materially benefited.

We propose to discuss this question in a practical way in the sole interest of agriculture, and we shall show that by the adoption of a new system of rating not only will agriculture be more fully developed, but the area of cultivated land very largely increased; that in consequence farmers will be able to invest their capital in their occupations, which they are at present unwilling to do for want of security, and that employment will be found for a much larger number of agricultural labourers at an increased rate of wages.

We have elsewhere referred to Ricardo's definition of rent. Rent is practically the key of the question in the mind of the farmer. He fears on the one hand that if, by the adoption of a new system of assessment, his rates are reduced, his rent will be raised; while on the other he is equally prone to believe that by investing his capital in the land he occupies he will increase its value and be rented accordingly. If there were no other solution to this question, there is one to be found in the provision of fixity

of tenure—almost the last of the concessions which the Government is asked to make.

Rent, to define it concisely, is the difference between the value of the produce grown upon cultivated land which is least productive and that grown upon more productive land. Obviously, the least productive land would not be cultivated unless the produce grown upon it covered the labour and the interest on the capital employed. Where the value of the produce exceeds the value of the labour and the interest on the capital invested by the grower, rent commences; in other words, the landlord steps in and claims his share of the produce, although he has taken no share in the work. That, however, is the prerogative of the man at the wheel—for the owners of land have practically steered the agricultural ship for generations.

The farmer has a right to complain that he is required to pay rates for the maintenance of roads, the cost of the repair of which is far beyond his requirements; for education, in spite of the fact that there is not a single school—the fees of which are within his means—to which he can send his sons; that he pays a police rate which is chiefly required for the benefit of the towns; and that he contributes to the maintenance of the poor and the lunatic out of all proportion to his means. He very properly argues that these are national and not local charges, which should be paid out of national funds. What, therefore, can be more appropriate than a charge upon land value, and the entire abolition of those local rates which are levied for national purposes?

The proposal to tax land value involves a charge, not upon the existing assessment or upon rent, but upon what is termed site or unimproved value. We have inspected land in Western Canada which, valued as natural opportunity for the production of the fruits of the earth, is worth considerably more than any land with which we are acquainted in this country; but at the time of our inspection this land was practically worthless; it could have been obtained for a few shillings per acre at the outside, but there was no demand. The time came, however, when one settler took up a section; he was followed by others, and a community was gradually formed, with the result that this land acquired value which has been constantly growing. Where, as at Saskatoon in Saskatchewan, a township is formed, land which had possessed no value whatever acquired a value of thousands of dollars per acre in the course of a few years. The value of such land was conferred by the community, and it affords the best means of providing the requisite rates. On the same principle, the contribution required from a poor parish which tenants are now compelled to pay would in large part be obtained from a rich parish in which the occupiers possess greater ability to pay.

The rating of site value would exonerate the tenant of a farm from payment for his buildings and improvements; in a word, the tax would be a charge upon the natural opportunity exclusive of improvements made by labour and capital. A poor farm equipped with buildings worth three-quarters of the whole would obtain relief to the extent of three-quarters of the original assessment; whereas a good farm equipped with buildings to the value of one-half of the whole property would be assessed at one-half the original assessment.

One of the greatest blots on our national life is the fact that so much land remains idle while men who are anxious to till it, either for wages or the production of food for themselves, are compelled to emigrate to countries where land is free, or to join the ranks of the unemployed. A tax on site value would fall equally upon land that is idle and land that is used for the best; but, as already remarked, the charge upon agricultural land would be diminished, while on land possessing a considerable site value in the neighbourhood of large centres of population it would be increased.

The influence of the existing law may be gauged by reference to an example case. A farm estate well known to ourselves was divided into a number of small holdings, upon the great majority of which houses were built. The assessment on the holdings collectively was increased to a sum which was out of all proportion to the assessment on the original farm. The investment of capital by the occupiers was made a ground of increased taxation. Collectively, these small owners, striving to earn a livelihood, were far less able to pay the rates than the vendor of the estate, who was charged a much smaller sum. On their behalf an appeal to the assessment committee was made by the writer and a reduction obtained, but the assessments made by the practically irresponsible overseers are still out of all proportion to the benefits received from the rates.

In the centre of an adjoining town is a park of 20 acres of land attached to a mansion house, recently let by an absentee-owner at 30s. per acre. The town referred to is residential and growing rapidly, with the result that land is practically unobtainable, every owner holding for high prices. The estate was recently sold to the local authorities, realising the large sum of £14,500, although, valued as agricultural land, it would be passing dear at £50 an acre. The difference between this value and the money actually paid for the land is the work of the community, for were it situated a mile or two outside the boundaries of the borough it would be worth no more than other land situated at this distance away. Land, however, is in constant demand and enormous prices are realised. It is such land that should contribute to the rates on the basis of value, and which will contribute when a tax is imposed. It is the owners of such land, which exists near every centre of population, who have escaped their fair share of the rates.

Would the rating of the value of land be detrimental to the interest of the landowner? It has been frequently urged that such a tax would cause a diminution in the value of land. There is some ground for this belief. It is undoubtedly true that the owner of land which is not put to economical use would have to pay a larger sum under the new than under the existing system of taxation which he largely escapes. The owner of land, however, especially the occupying owner, who made the most of it by the employment of labour and capital, would pay less than he paid before, the tax being restricted to the site value of the land—in other words, the value minus the buildings and other improvements effected by man. It will be observed, therefore, that the benefit of a tax which replaces the rates would be greater in the case of the owner who uses his land than in the case of the owner who does not. Thus an owner of land which is not used for economical purposes would be as fully taxed as the owner who uses his land; or, to put the matter in another form, the owner of well-cultivated land would pay no more than the owner of uncultivated land of similar character. It follows, therefore, that by taxing the value, the owners of unused land would be stimulated either to till it or to place it on the market for sale. The owner of unused land which possesses an economical value would therefore be placed in this position: If he preferred to retain it in its existing condition he would have to pay on its full value as though it were put to its best use; if his objection to the tax were sufficiently strong he would either bring it into cultivation or sell it to others for that purpose.

It is but natural to suppose that the consequence of the imposition of a tax on land values would be followed by the sale of land which was not in agricultural use. Inasmuch as those who are in want of land are much more numerous than those who own it, and still more numerous than those who would determine to sell, there would be wholesome competition, with the result that fair prices would be realised, for buyers would not have the same grounds for fearing the tax as the sellers, inasmuch as by putting the land to its best use they would pay no more than their due.

There is another and equally wholesome side to this question. Some landowners would decide to cultivate their land themselves rather than sell it. We have already suggested that a tax on the value of land would increase the agricultural area. We have seen, too, in another chapter, that there are nearly thirteen million acres of grazing land which is unimproved, but most of which is capable of considerable improvement. This land is not put to its best use. Both owners and occupiers would be stimulated, however, to do their best with it, and to bring it under cultivation. Those who declined would still be required to pay the tax to the full; in other words, to pay as much per acre as their neighbours would pay for similar land in a high state of cultivation.

Would a tax reduce the value of the produce of the land? There are some who suppose that by increasing our cultivated area, and the consequent production of larger quantities of food, its value would be reduced. The prices of all agricultural produce, with the exception of milk, are regulated by our imports. The success or failure of British crops exerts but little influence on price, and that of only a local or temporary character. An increase in the home production of grain, meat, and other articles of food would simply be followed by a reduction in the quantity of such foods imported. As, however, by no possible chance are we likely to make any serious impression upon the imports, they will continue to rule prices.

If, then, a tax on the value of land were followed by a reduction in the rates as at present imposed; if there were no diminution in the prices of produce from the same cause; and if, by the provision of security of tenure, farmers were enabled to invest their money in the land with perfect confidence, it is apparent that there is not a vestige of truth in any statement which is made to the effect that farmers would stand to lose. There is, however, a belief in agricultural circles that the tax would be shifted by the landowner on to the shoulders of the tenant.

Let us see if there is any warrant for this assumption. In taking a farm a tenant adds the rates to the rent in estimating the cost. If he were asked to pay rent, plus rates, plus a tax on land values, he would demand a reduction of rent. We cannot abandon the fact that before rent can be paid the produce of the farm must be sufficient to pay for the labour of the tenant and his men. There can be no rent until there is a margin of receipts over and above the cost of production. Rents are based upon competition for a fixed quantity of land, but farmers will pay no rent, and consequently no land values tax, which restricts the value of their labour, and therefore no more than competition fixes.

To the small holder of land, whether he be owner or tenant, the taxation of land value is of great moment. To the tenant it means a reduction of rates and greater security for improvements, while to the owner it means that the erection of buildings and the general improvement of the farm can be accomplished without increasing the rateable value. The tax, too, is calculated to increase the employment of labour, for an increase in the area of cultivated land would of necessity be followed by an increased demand for labour. Thus, a diminution in the number of the unemployed would be accompanied by an increase in the rural population, and a largely increasing demand for cottages and allotments of land. With better times and increased wages the agricultural labourer would be able to purchase more and better food, and to enjoy the comforts of life to a greater extent.

It has been urged by those who regard the increase of the wealth of the few as of greater importance than the increase of the wages of the many, that an increase in the rural population will increase the number of the poor, and that, on the other hand, their diminution will increase the national wealth. This has not been the result of the division of land in other countries. The prosperity of Holland and

Belgium, Denmark and Sweden, France and Germany, is chiefly owing to the fact that the land is owned by the many. A policy which will enable us to make every available acre productive in the highest sense, and to produce a much larger quantity of the food we require, deserves the support of every man who has the welfare of his country at heart. By following any other course we must eventually become dependent upon imported food.

It is important to realise that, unless the demand for farms or houses increases, or the supply decreases, rents cannot be raised. It is true that there are tenants who will submit to an increase of rent rather than leave homes to which they have become attached. In such cases landlords may succeed in shifting the tax on to their shoulders; but in principle a charge upon rent cannot be transferred to the user of the land for which rent is paid. The fact that a tax is imposed upon a farm or a site upon which a house has been built does not confer ability upon the owner to command more rent, nor does it make a tenant or applicant willing to pay more rent. The owner of land is not able to increase his rent at his pleasure, for in practice he can obtain no more than market price, and the imposition of a tax would in no way alter this fact.

To tax land value or rent is not to tax land, for all land would not be taxed. Thus, cultivated or used land which pays no rent owing to its poverty would pay no tax. Land is not an article of production which is increased in price by the imposition of a tax. If a tax is placed upon its value that value is not increased in consequence. Its value or price is determined by the law of supply and demand, and, as already observed, no one will pay more rent for it because a tax is imposed. An article of production, whether it be a hat or a quarter of wheat, is increased in price by the imposition of a tax. The supply of land, however, is not affected one way or the other by the imposition of a tax on its rent or value, which in consequence falls upon the owner, except in so far as the supply of land available for agriculture is to a certain extent diminished at the present time by the indifference of landlords or by their devotion of valuable agricultural land to non-productive purposes; this system of rating would tend to cause some of this land to be devoted to agriculture, and so there would be a tendency towards a diminution of rent through the increase in the available supply of land.

The existing system of rating is neither uniform nor just. Whatever may be the result of the rating of land values in towns, it will have the effect of reducing the rates paid by the farmer and the small-holder. Under present conditions a house or other building is rated with the land upon which it stands. The rate is paid by the tenant; the owner of the land escapes altogether. Nor are the separate charges made upon agricultural buildings exempt from this curious system, for the land upon which the farmhouse and farm buildings stand is charged with the buildings. Land should be rated in accordance with its value, and not in accordance with the use to which it is put. A given plot is equally valuable whether it is unused, put to some use, or put to the best use; but if it is unused it is not rated, if it is used and slightly productive it is rated, and if it is made the most of it is rated up to the hilt. Thus, the rate charged is in proportion to the industry displayed, whereas it should be just the reverse. It is thus, too, that we encourage owners of land to neglect it, while we discourage them from making the best use of it. A farmer, for instance, should not be rated on his land because he has made it highly productive—that is a reason for decreasing the rate, which is otherwise a tax on his industry; but the owner should be rated on its value apart from the improvements which the skill of man has effected. If, however, it has acquired a value owing to the presence of work of the community—a value which he has had no hand in creating—the owner must pay on that valuation.

The result of this system of rating will be that many who have never paid a penny-piece to the rates for their unused

land will be placed upon the rate books, that those who have paid too little because they have not put their land to the best use will pay more, while those who have put their land to the best use and have been rated accordingly will pay less—and this will apply to large numbers of farmers all over the country! As the measure by which the rates will be fixed is the value which the community has created, it follows that in wealthy towns and districts land values will be high, whereas in the rural districts the assessments of agricultural land will be fixed on a lower scale, and the charge in the pound reduced.

SOME OBJECTIONS TO THE TAXATION OF LAND VALUES ANSWERED.

1. What is the essential difference, as property, between land and capital?

2. Does not the principle of "unearned increment" apply to both land and capital?

3. Why should a man, owning and farming land, with an income of, say, £400, be taxed, and a neighbour, not owning or farming land, with the same income from capital invested, be untaxed?

Answer 1.—Capital is the product of labour and belongs to the labourer. Labour is the only title to possession. You may go into the wilderness and grow a bag of wheat. That is not *my* wheat. It is not *our* wheat. It is *your* wheat, every grain of it, because *you only* laboured for it. Who made the land? No one. Therefore no one can possess the land. The Government cannot possess it because it (the Government) derives its power from the people, and the people cannot transfer powers or rights which they do not possess. That is recognised in our laws to-day. If I stole the aforementioned bag of wheat and sold it to another, the law denies his right to hold it, because I could not transfer rights which I did not possess. The essential difference, therefore, as property, between land and capital is, that the right to own capital must be conceded if it is admitted that a labourer has a right to the product of his labour. Property in land cannot be conceded unless you concede the right of the burly ruffian to his plunder; because they both rest on the same basis—force.

Answer 2.—The principle of unearned increment applies to both land and capital. The difference is one of quantity and not of essence. Single Taxers, however, do not claim the right to take unearned increment. They claim the *land* for the use of all men, and incidentally propose to periodically take the value as the most convenient method of dealing with the problems which restitution presents. They claim the right to take the value of land irrespective of whether it increases, decreases, or remains stationary. Single Taxers also claim just as strongly that the products of labour belong absolutely to the labourer. The things produced may be consumed or destroyed by the owner, or exchanged on his own terms. He may accept more or less than they cost or than some others think they are worth. That is entirely a matter for those directly concerned. Under Single Tax conditions each would be dealing with his own property.

Answer 3.—A man owning and working a farm will not necessarily pay any tax. All those farms situated on the margin of cultivation, and which apart from the improvements have no value, will not be assessed under the Single Tax system. Only those lands will contribute which, without extra labour or intelligence, will yield a greater reward than the land on the margin. The difference in productivity will be taken from the holder of superior land because he has no right to a better piece of the earth than his neighbour. The amount so taken will be used for the benefit of all. That is Justice. The position of the capitalist is precisely the same. If he occupies land which has no superior value he will pay no tax. If he has land better than that occupied by other people it is just that he pay whatever the difference may be worth.

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