

OBJECTIONS ANSWERED

An interesting controversy on the Taxation of Land Values was conducted in the columns of the *Manchester Guardian* during October. The first letter from Mr Douglas J. J. Owen, Chairman of the Executive of the Manchester Land Values League, appeared under the heading

Liberals and the Land Question

Mr Owen wrote :

"I can well believe that all Liberals of the true sort will be heartened by Sir Herbert Samuel's clear statement of Liberal aims, and it is significant that he included in the more prominent of the subjects for Liberal advocacy the taxation of land values and the protest against the repeal of the land tax clauses of the 1931 Budget. This is certainly a strong line of appeal to the electorate in the coming political fight, and Sir H. Samuel could not have struck a more trenchant note.

"As chairman of the Executive of the Manchester Land Values League I shall be glad if you will give me the opportunity of appealing to all Liberals who think with Sir H. Samuel to give what support they can to the work of this league."

Land and Capital

Dr J. Price Williams inquired whether Liberals were invited to join in a land values campaign as a matter of expediency or of morality.

"A man invests £1,000 in suburban land, another invests £1,000 in shares in a new trading company or in an old one which is going strong. In five or ten years the land is worth £2,000, and the shares have also appreciated to £2,000. In the meantime the landholder has probably been receiving a moderate fixed interest on his capital, whilst the shareholder has received dividends of much greater value. Neither has done anything to bring this about ; in both cases the increased value has been produced by the community. Mr Owen, on behalf of the community, would tax the land-owning goose, but would let the shareholding gander enjoy his good luck to the full. The tax would be practically a levy on capital imposed only on one section of the community. Do Liberals consider this equitable, moral, or, in the long run, even expedient ?"

"Unearned Increment"

Dr Price Williams evidently considered that land-value taxation was synonymous with taxation of unearned increment, for he concluded his letter by saying :—

"The principle that the 'unearned increment' really belongs to the community which has made it seems to be pretty sound, but such an inequitable application of the principle seems hardly desirable. A limitation of all interest, dividends, and other unearned increments to a moderate figure which would represent the value of the capital to the community and cover the risk of loss, all surpluses being returned to the community, would be perfectly fair, and so, of course, a strictly Liberal arrangement. Taxation of land values may be regarded as an instalment of justice at the expense of the landowners, to be followed, of course, immediately by further instalments at the expense of the rest of us, or merely as the thin end of the wedge, which when driven fairly home will have consequences which may or may not be agreeable to contemplate. What do Liberals really think about it ?"

Land Values and Commodity Values

In an able reply, Mr Owen showed that the distinction to be drawn was not between land and shares, but between land and labour products.

"The great service rendered by Henry George was that he showed the basic distinction between investments in land, the source of all wealth production, and investments in the production of wealth from land. If, as Dr Williams suggests, there is no distinction, and all values are communally created, then the blacksmith contributes nothing to the value of the shoe he hammers out on the anvil and the shareholders and workers of Austin Motors, Ltd., contribute nothing to the value of their cars. Horseshoes and cars are created by human labour and capital, and should be owned by those who produce them, and to expropriate them by taxation in

any degree is immoral. Land values, on the contrary, are communally created and should be owned by the people who make them, and this can be done by the taxation of land values.

"Dr Williams writes as though business and trade were not now taxed, and are only to be taxed into public possession after the tax on land values has shown the way. Liberals who have studied the subject will know that the taxation of land values is advocated as an alternative to the heavy taxation which is at present crippling all trade and industry. The workers and shareholders in a motor or other business are already heavily taxed and rated, and these rates and taxes have to be paid even when the concern is making no profits. The owner of land can escape taxation by keeping his land out of use until it fetches a price that covers the years when it yielded no income, and he will pay no income tax on this realized sum. It is this power to withhold land from use which is the cause not only of crippled businesses but of unemployment, low purchasing power, and poverty in all its forms, and it is this that the taxation of land values is calculated to prevent by forcing land into productive use. That is why every Liberal should press for this great reform."

Investments in Land

Dr Price Williams in his rejoinder wrote :—

"The differences between land and other forms of wealth are many, but they do not, so far as I can see, warrant such distinctions between the owners of them ; between those who 'sit on' their capital invested in land and those who 'sit on' their capital invested in other concerns the profits from which are undoubtedly communally created. Money derived from 'excessive' dividends would be just as useful to the community as money derived from taxation of land values, and the community has an equal claim on both, though it may be more convenient (or expedient) to make the latter claim first."

The difference between investment in land and investment in other things was dealt with by Mr Owen in reply to this.

"Land is not, as Dr Williams thinks, one of many forms of wealth. It is the source, 'not made with hands,' from which all forms of wealth can alone be derived. To invest in land is to invest in the business of rent-receiving and not in the business of wealth production. The investor in land obtains the absolute power to determine whether wealth shall be produced from it or not, and he dictates the terms for its use. No investment of any other kind gives the same anti-social power.

"Capital invested in processes of industry is not 'sat on,' to use Dr Williams's phrase. It is used more or less productively, and as it helps the production of wealth it can justly claim its proportionate share of the product. The owner of land as such does not aid production, yet he can command the first share of its results. If it were possible to sit on capital used in production, as Dr Williams says is done, the capital would soon decay and disappear. Land can be sat on or even vacated by the absentee owner and still appreciate in value. As Thorold Rogers said, 'The landlord sleeps but thrives.'"

Land Nationalization

Meanwhile, Dr A. P. Laurie had intervened in the discussion to contend that the taxation of land values was "a most unfortunate proposal as it paralyses private enterprise while not replacing it by public control."

His proposal was :—

"Buying out all private owners on terminable annuities calculated on net income from the land would be fair all round and would be largely if not entirely covered by the amount received in rents.

"Taxation of land values means the maximum of irritation for the minimum result, while taxation of possible future profits without accepting losses is a dishonest form of taxation. The Labour policy to buy landowners out is an honest and a practical policy."

The Fallacy of State Purchase

In answer to this, Colonel Wedgwood described land nationalization as "humbog which for thirty years has been

put forward by those who fear the taxation and rating of land values and wish to protect land monopoly from our attack." The objections to it were:—

"(1) The householders and farmers who occupy their own property do not want to lose their property and are numerous. Are they to be exempted or not?"

"(2) How can the State buy land without having a valuation first of what is being bought? If we took so many years' purchase of the rateable value, those who owned the land with a building value were treated worse than others. The injustice was obvious.

"But the main objection was (3) that the State cannot buy the land without buying the improvements on it—the farm improvements, the houses, the factories, the shops. If any of these improvements are to be carried on by private enterprise, the new owner must lease the property to someone. It will certainly be difficult to lease to anyone or to any company save to the present users. The difficulty will translate itself into a low rent. Farms may be let as at present, but all other real estate will have to be on long lease if the users are to build up improvements, goodwill, or to have confidence.

"A 99-year lease at a variable rent seems to me extraordinarily like the taxation of land values, but with an enormous initial cost. A 99-year lease at a fixed rent re-

sembles closely our present worst urban system. Dr Laurie must think again."

Summing up the Controversy

In his final letter, Mr Owen summed up the points at issue in concise terms:—

"Dr Williams refers more than once to unearned increment and evidently confuses a tax on land values with the abortive increment tax once substituted for it. The principles underlying these two taxes are quite different. Dr Williams seems in favour of taxing any kind of increment just because it is an increment. Land values, on the other hand, are created by the community, and this is the reason why they should be taken in taxation, and this whether they are increasing, decreasing, as sometimes happens, or even if they remain at one level. To take land values for the community is not in any sense confiscatory and would render unnecessary the expropriation of private wealth which Dr Williams seems to favour, and it would also rule out the policy of buying out the landlords, which Dr A. P. Laurie sponsors, and which can be shown to be both dishonest and impracticable. I believe Lord Oxford rightly described the landlord as being not a partner in the industrial community but a parasite upon it."

On 6th November, Viscount Snowden will be the guest of the Cobden Club at a Luncheon in the Hotel Victoria, London, when he will speak in protest against the policy of Protection.

On 14th November, Viscount Snowden will be entertained by the Women's National Liberal Federation in the Criterion Restaurant, Piccadilly, London, and will speak on the Taxation of Land Values.

The *Daily Herald* of 31st October gave prominence to the following communication from Mr Andrew MacLaren:—

"LANDOWNERS EXPLOIT RATEPAYERS"

"When these Tories talk about high rates they carefully suppress the fact that landowners all over the country reap a rich harvest from the exploitation of the ratepayer.

"Middlesex County Council has erected 70 miles of arterial roads. This has increased land values by £15,000,000.

"For land rated at £58 10s. Glasgow paid £61,850. London paid £251,666 for the St. Helier Estate, rated at £1,535. For land of no rateable value Stoke-on-Trent was stung for £17,350.

"Get back from the landowners what the community has conferred upon them, and there will be no problem of high rates."

In Salford, the Council are resorting to compulsory powers for the acquisition of 80 acres of land at Pendlebury as a site for the tipping of refuse. At the arbitration proceedings (*Manchester Guardian*, 28th September) the tenant for life, Mrs Daunteley, of Marnhull, Dorset, claimed £51,400 as the price while the valuer to the corporation valued it at £8,387. The representative of the claimant gave as reasons for the price demanded these considerations: that the ground was outside the Salford boundary in a district where the rates (levied when the land is improved) are lower than in Salford itself; that it was bounded by the Agecroft Colliery and two main railway lines; also the Manchester-Bolton Canal. Who, then, makes it valuable—the owner? As a piece of land quite undeveloped, this site is entirely exempt from local taxation. The owner's price and the valuer's opinion of its value should be contrasted with that fact.

STATE AID TO AGRICULTURE. In our issue of September we quoted Dr J. A. Venn as an authority for the statement that state aid to agriculture amounts to £45 million a year. In a letter to *The Economist*, Dr Venn points out that his address to the Agricultural Economics Society has been misunderstood, and that the total should be £28 millions. Even so, this subsidy to maintain land values is enormous, and it has increased since the original calculation was made in July, 1933.

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