

# LAND-VALUE POLICY

# LAND-VALUE POLICY

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## INTRODUCTION

THE master-problem of economics is to determine the proper relation of the people to the land on which they live, and from which they derive their sustenance and their wealth. Their rights to the land are bound up with their rights to life and liberty, because the right to life implies a right to the means of living, and liberty begins with the liberty to use the gifts of Nature to satisfy human needs. These rights are inherent and inalienable; the recognition of them is of the first importance; and they ought to be asserted at the earliest possible moment, any law, custom, or usage to the contrary notwithstanding.

This economic problem is at the root of the production of wealth, because all wealth is ultimately obtained from the land. It is at the root of the distribution of wealth, which in large measure follows, and is bound to follow, the distribution of the sources from which wealth is derived. It is at the root of all social and political questions, because the well-being, the prospects, and the contentment of a people depend on the extent to which they are enabled to make use of the natural opportunities.

Justice requires that all the people should have equal rights to the land which Nature has provided. The rights to land are of a comprehensive character, for they include the rights to the light that shines on it, to the wind that blows over it, to the rain that falls on it, to the springs that rise in it, to the streams that flow upon it, to the water-power, to the natural growths, to the use of the surface in a variety of ways, to the stone, the clay, the coal, the minerals, and the other materials which it contains, and to all else that pertains to the land and passes with a grant of it. These gifts of Nature, which are in no wise due to the agency of man, ought not to be the subjects of private property, but ought to be treated as the common property of the people, from generation to generation continuously.

In so far as the land is utilised by the people in their collective capacity, or is the subject of their common use or enjoyment, no difficulty arises. In so far as the land is in the hands of private persons, the people as a whole should be regarded as the super-landlord, and their right to the land should be enforced by requiring those who hold it to pay a rent or tax for it, this rent or tax in each case being based on the market value of the land apart from improvements, and being payable whether the land is used or not.

Land-value policy—the policy of taxing land-values and untaxing improvements—is founded on the recognition of the rights of the people to the land, and of the improver to the improvements. It would secure to the people the value which

attaches to the land in consequence of their presence and requirements. It would provide public revenue without burdening industry. It would, moreover, put a stop to the withholding of land from use, because the pressure of having to pay according to the market value of the land, whether the land was being used or not, would deter people from holding land idle and would cause them either to use it themselves, or to transfer it to others who would use it. The taxation of land-values would lay the axe to the root of land monopoly and make the land available for use; while the untaxing of improvements would promote its development.

Land-value policy is the true basis of reconstruction. Its direct effects would be to make the land more available for use and to promote production. Indirectly, it would prepare the way for the reform of land-tenure and the simplification of title to land. In its financial aspect, the increasing absorption of economic rent as public revenue would facilitate the corresponding abolition of taxes on production and exchange: whilst, from the International standpoint, the application of the policy in different countries would lay the economic foundations of prosperity and peace.

J. D. W.

*January, 1924.*

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# LAND-VALUE POLICY

## CHAPTER I

### PUBLIC RENTCHARGE ON LANDS

#### *The Present System*

THE rates and taxes on landed properties are, to quote Mr Goschen's happy phrase, "a kind of rentcharge upon those lands for the benefit of the public."<sup>1</sup> These rentcharges, however, are at present assessed in an unsatisfactory way, and they ought to be placed on a proper basis.

#### *Penalties on Improvements*

The present valuation of each property, speaking generally, is based on the rent that would be obtainable for the property if it were let for a year in its existing condition, without discriminating between the land and the improvements. Thus the system in effect imposes a penalty on the building of houses and the making of other improvements. If a new house is built or an existing house enlarged, the valuation of the property is raised and the rates and taxes increased. If a factory or workshop is put up, the same thing happens; the better and more commodious it is, the higher the valuation and the heavier the charges; and, as the valuations include plant and machinery, the system operates as a

<sup>1</sup> *Reports and Speeches on Local Taxation*, London, 1872, p. 148.

penalty on improved equipment. The system also discourages the direct use of land for production; if farm-steadings are built or extended, or if glass-houses are erected to facilitate intensive cultivation, the valuations are raised, and the rates and taxes are increased correspondingly. This policy of fining people for their improvements is disastrous, the more so because they are fined again and again, as often as the seasons for rating and taxing come round. It hinders the building of houses, it obstructs industrial development, it prevents the proper cultivation of the land, and it checks production at the source.

#### *Under-valuation of Unimproved Lands*

The system has also the disadvantage that it values unimproved lands too low, and thus facilitates the withholding of land from use, narrowing the basis of production and forcing up rents. Unimproved lands, instead of being valued at a fair percentage of their selling values or at the annual rents that they would command if let for a long term on satisfactory tenure with freedom of use, are valued on the basis of the rents obtainable for them if let for a year in their existing condition. Thus, for instance, vacant lands that are wanted for building are taxed and rated on what may be called their "cabbage-patch" values, or perhaps on merely nominal values, even though they are being held up for a high reserve price, which the landlords may be able to obtain when the overcrowding, aggravated by this practice, has reached a more acute stage. There is no justification for the disparity between the valuations on which the landlords have to contribute to public needs, and the

prices that the people have to pay the landlords if they acquire the land. The land should be valued for taxation and rating on the basis of its real market value.

*Royal Commission on Housing*

This feature of the present valuations was brought under the notice of the Royal Commission on the Housing of the Working Classes nearly forty years ago. The Majority Report drew attention to it in these words ; and the conditions are still the same :<sup>1</sup>

“ At present, land available for building in the neighbourhood of our populous centres, though its capital value is very great, is probably producing a small yearly return until it is let for building. The owners of this land are rated, not in relation to the real value, but to the actual annual income. They can thus afford to keep their land out of the market, and to part with only small quantities, so as to raise the price beyond the natural monopoly price which the land would command by its advantages of position. Meantime, the general expenditure of the town on improvements is increasing the value of their property.”

The Report then proceeds to say :

“ If this land were rated at, say, 4 per cent. on its selling value, the owners would have a more direct incentive to part with it to those who are desirous of building, and a two-fold advantage would result to

<sup>1</sup> See *Report of the Commission*, 1885, C. 4402, at p. 42. A collection of recent instances of exorbitant prices being asked for lands that are rated and taxed on merely nominal valuations may be found in Mr A. W. Madsen's pamphlet, *House Famine and the Land Blockade* (1920).

the community. First, all the valuable property would contribute to the rates, and thus the burden on the occupiers would be diminished by the increase in the rateable property. Secondly, the owners of the building land would be forced to offer their land for sale, and thus their competition with one another would bring down the price of building land, and so diminish the tax in the shape of ground rent, or price paid for land, which is now levied on urban enterprise by the adjacent landowners; a tax, be it remembered, which is no recompense for any industry or expenditure on their part, but is the natural result of the industry and activity of the townspeople themselves."

#### *Principles of Reform*

What we need is to reconstitute the public charges on lands—or, in other words, the rates and taxes on landed properties—on the basis of two simple principles :

(1) That the land, which Nature has provided, ought to be regarded as common property, and that those who hold it should pay the people a rent for it, based on its market value for the time being ; and

(2) That the improvements, both present and future, should be regarded as belonging to those who make them, and should be relieved from public charges as much as possible.

Following these principles, we ought to have new valuations of landed properties, based in each case on the market value of the land, apart from the improvements, if any, upon it ; and we should transfer the taxa-

tion and rating of landed properties on to these new valuations of land-value as far as we can.

### *Effects of Reform*

The taxation and rating of landed properties on the basis of their land-values would prevent the withholding of land from use, would bring unused land into the market, and would enable those who desire to use the land to get it on fair terms; while the untaxing and unrating of improvements, both present and future, would give free course to its development. The first step to better housing is to enable people to obtain the land for building on fair terms, and to stop the taxation and rating of houses. The first step to industrial development is to enable people to obtain the land on fair terms, and to stop the taxation and rating of buildings and machinery. The first step to improved cultivation is to enable people to obtain the land on fair terms, and to stop the taxation and rating of farm-buildings, glass-houses, and kindred improvements. Land-value policy would broaden the basis of production.

### *Liability for Land-value Charges*

Any tax or rate on land-value ought to be regarded as a rent payable to the community for the land, and should be payable so long as the land is held, apart from any question of whether it is being used, or is being "occupied" in the technical meaning of that word. This is the rule that landlords apply to their tenants; and it is the rule that the community, as super-landlord, should apply to them. Landlords recognise that the obligation to pay the rent as the condition of holding

the land is a powerful incentive to make the tenant use the land instead of neglecting it ; and in mining leases, with this object in view, there is almost always a reservation of a dead rent, or minimum rent, that is payable even though no minerals are obtained and no royalties are due. The community should realise that to require those who are holding land to pay for it according to its market value, whether they are using it or not, would impel those who are holding it idle either to use it themselves or to let others use it on fair terms ; or, in other words, that it would tax the land into use.

#### *How to Secure Payment*

The public charges on the land-value of each property should be treated, not merely as a personal debt, but as a first charge on the land. It has long been the practice of landlords to secure prompt payment of their rents by reserving the right to terminate the tenancy and resume the land if the rent—it is usual to insert the words “ whether legally demanded or not ”—is not paid within a certain time after it has become due. The community, as super-landlord, should follow the same plan, though in a less drastic way. If payment is not made within a certain period, the community should be entitled to resume the land until payment is made ; and if payment is not made within a certain further period, the community should be entitled to resume the land absolutely.<sup>1</sup> This procedure would secure prompt payments, reduce the cost of collection to a minimum, and avoid the risk of bad debts.

<sup>1</sup> For practical details, see Chapter XIII.

## CHAPTER II

### LAND-VALUE TAXATION

#### *Proposed Charge really a Rent*

To place the-rating and taxation of landed property on land-value, as proposed in the preceding chapter, would mean the partial, and ultimately the complete, absorption for public purposes of what is called economic rent, that is, the rent of land apart from the improvements on it. The earlier economists spoke of such a tax as a tax on rent; and Henry George called it a tax on land-value, using the word "tax" because governmental charges are generally called taxes, and reforms are effected most easily under familiar names.<sup>1</sup> At the same time, however, he was careful to point out that any such charge "is, in its nature, not a tax but a rent," and would not diminish the natural supply of land, but would rather make more of that supply available for use. As the fact of a man's having to pay a ground-rent to his landlord does not increase the amount that he can get for the land, but affects

<sup>1</sup> *Progress and Poverty*, 8, ii; *Protection or Free Trade*, ch. 26. Henry George's expression is used in these pages, partly because it has come into general use, and partly to avoid the ambiguities that might occur if the word "rent" were used to denote both the rent of land and the portion of that rent which is being taken for public purposes.

only the allocation of that amount between him and his ground-landlord ; so the fact of the landlord having to pay a land-value tax to the State would not increase the amount that he could get for the land, but would affect only the allocation of that amount between him and the State.

*Charges on Land-value cannot be Shifted*

With reference to this last point, the following passages may be quoted. Adam Smith wrote :

“ A tax upon ground-rents would not raise the rents of houses. It would fall altogether upon the owner of the ground-rent. . . . Whether the tax was to be advanced by the inhabitant or by the owner of the ground, would be of little importance. The more the inhabitant was obliged to pay for the tax, the less he would incline to pay for the ground, so that the final payment of the tax would fall altogether on the owner of the ground-rent ”  
(*Wealth of Nations*, 5, ii, 1).

Similarly, John Stuart Mill, in dealing with the proposal to tax economic rent, wrote :

“ A tax on rent falls wholly on the landlord. There are no means by which he can shift the burden upon any one else. It does not affect the value or price of agricultural produce, for this is determined by the cost of production in the most unfavourable circumstances. . . . A tax on rent, therefore, has no effect other than its obvious one. It merely takes so much from the landlord and transfers



it to the State " (*Principles of Political Economy*, 5, iii, 2).

Henry George explained the difference in this respect between this tax and other taxes as follows :

" If we impose a tax upon buildings, the users of buildings must finally pay it, for the erection of buildings will cease until building rents become high enough to pay the regular profit and the tax besides. If we impose a tax on manufacturers or imported goods, the manufacturer or importer will charge it in a higher price to the jobber, the jobber to the retailer, and the retailer to the consumer. Now the consumer, on whom the tax thus ultimately falls, must not only pay the amount of the tax, but also a profit on this amount to everyone who has advanced it. . . . In this way all taxes which add to prices are shifted from hand to hand, increasing as they go, until they ultimately rest upon consumers, who thus pay much more than is received by the Government. Now the way taxes raise prices is by increasing the cost of production, and checking supply. But land is not a thing of human production, and taxes upon rent cannot check supply. Therefore, though a tax on rent compels the landowners to pay more, it gives them no power to obtain more for the use of their land, as it in no way tends to reduce the supply of land. On the contrary, by compelling those who hold land on speculation to sell or let for what they can get, a tax on land-values tends to increase the competition between owners, and thus to reduce the price of land " (*Progress and Poverty*, 8, iii).

*" Value " and " Land-value "*

The word "land-value" is used to mean the market value of the land at the time of valuation.<sup>1</sup> As Adam Smith pointed out long ago, the word "value" is used sometimes to denote value in use, or utility; and sometimes to denote value in exchange, or market value.<sup>2</sup> But utility and market value are by no means the same. Diamonds, for instance, are of great market value, though of little utility; while water, though of great utility, is of little market value. The difference between these two meanings of the word "value" has to be borne in mind in considering the effects of the proposed reform. The bringing of unused land into the market, by increasing the available supply of land, would operate to reduce the market value of land, or, in other words, to make land cheaper; but would not operate to reduce its utility in any way, and, in practice, would increase its utility by the transfer of it to those who want to use it, as well as by the greater facilities that would be given for its development.

*Advantages of Land-value Standard.*

At this stage it may be convenient to summarise the principal advantages which would follow the transfer of the public charges upon landed properties to a land-

<sup>1</sup> For technical definitions, see pp. 87-91.

<sup>2</sup> *Wealth of Nations* (1776), I, iv. A century earlier, Samuel Butler had market value in view when he wrote the somewhat cynical couplet (*Hudibras*, 2, i, 465-6):

" For what is worth in anything,  
But so much money as 't will bring ? "

## II—LAND-VALUE TAXATION . 11

value standard, these public charges on land-value being payable whether the land is used or not :—

(1) It would enforce the rights of the people to the land in a simple and effective way ;

(2) It would secure to the community the value that attaches to the land in consequence of their presence, industry, and demand ;

(3) It would induce those who are holding land idle either to use it themselves or to bring it into the market, thus stopping the holding-up of land, making more land available for use, and enabling people to obtain land on fair terms ;

(4) It is bound up with the untaxing of houses and other improvements, which is advocated in Chapters III and IV ;

(5) It would promote the systematic reform of land tenure, as outlined in Chapter V ;

(6) It would facilitate the simplification of title to land, as described in Note O. ;

(7) In these and other ways it would operate to promote production, to open up new opportunities of livelihood, and to improve the prospects of Labour ; and

(8) It would also have a beneficial effect on International relations, as shown in Chapter XVI.

## CHAPTER III

### UNTAXING OF IMPROVEMENTS

#### *The General Plan*

THE policy of taxing and rating landed properties on the real value of the lands is bound up with that of untaxing improvements. The two reforms are complementary to one another. The first would make the natural opportunities available for use on fair terms, and the second would promote their development.

#### *Story of the Date-palm Trees*

The following story serves to illustrate these proposals. The ruler of an Eastern country taxed the people according to the value of their date-palm trees, with the result that they abstained from planting new ones and the country became impoverished. Then he changed his plan, and taxed them on the value of the land that they held, whether they had date-palm trees or not ; whereupon they planted as many date-palm trees as they could, and the country prospered.

#### *What to Tax and What Not to Tax*

To tax those who hold the land on the value of the land that they hold would secure the land-rent to the people,

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would lay the axe to the root of the unproductive retention of land, and would impel those who are holding land idle either to use it themselves or to let others have it on fair terms ; while the untaxing of the products of industry would give free scope to every industrial development. But the present taxation of the products of industry hinders that development in many ways. Thus if a man plants land with fruit trees or fruit bushes, the valuation and the rates are promptly increased, as the Duke of Bedford found to his cost.<sup>1</sup> If he puts up glass-houses for market-gardening, or henhouses, or cowsheds, or stables, or instals machinery, or builds new dwelling-houses, or enlarges existing ones, he is promptly fined for his industry. Meantime, the man who is holding land idle, with a view to extorting a high reserve price for it, is favoured by having it taxed on a merely nominal valuation. Surely the time has come to tax people according to the real value of the land that they have, and to stop taxing them on their date-palm trees.<sup>2</sup>

<sup>1</sup> See his *Story of a Great Agricultural Estate* (1897), pp. 72-73.

<sup>2</sup> In a letter to the *Times*, 20th Oct. 1923, Lord Bledisloe said that there are "thousands of acres of seriously neglected grassland in the heart of England and in Wales which, by the application of phosphatic fertilisers, might be made to yield at least three times the amount of meat or of milk that they are now yielding ; but the farmers will not apply these dressings, because they know that the assessable value of their land (and perhaps consequentially its rent) will be raised " ; and mentioned other improvements that were similarly prevented. He also suggested " that all improvements carried out on, or for the benefit of agricultural land should be exempted from taxation of every description for a period of five years from their execution." As to the definition of agricultural and other " improvements " here proposed to be exempted from the taxation and rating of land-values, see p. 91.

*Inadequate Measures*

Several steps have been taken in the right direction, but they do not go far enough. There is, for instance, the meagre deduction from Income Tax in respect of repairs to houses, and there is the exemption of light railways from rating for a term of years. These measures only touch the fringe of the problem. Instead of tinkering at a bad system we ought to introduce a good one. The heavy rating of improvements may bring industry to a standstill, the present rating of them has serious results, and any rating of them is mischievous. Rates which are low are apt to become high; and even a low rate may turn the scale against the extension of existing operations and the starting of new ones. The deliberate adoption of a policy of taxing land-values and untaxing improvements would give better conditions and increased confidence to every enterprise.

*Precedents from Other Countries*

There has been a rapid and remarkable movement towards untaxing improvements in other countries, of which an outline is given in Chapter XI. In every case the untaxing of improvements has been either preceded or accompanied by the taxation of land-values; and necessarily so, because the two reforms are different sides of the same policy. There are plenty of precedents if we will but follow them. The first step is to accept the policy; the second, to apply it as soon as we can; and the third, to get the system into satisfactory working order and to extend it as circumstances allow.

*To Encourage Improvements*

The extent to which improvements will be developed depends largely on the extent to which those who make them are permitted to reap the resulting benefits. The more they are taxed on their improvements, the less will they benefit by their improvements, and the less will their improvements be developed. The less they are taxed on their improvements, the more will they benefit by their improvements, and the more will their improvements be developed. The case for untaxing improvements is strengthened by what economists call the law of diminishing return, which is to the effect that, in the application of labour and capital to any portion of land there comes a point at which any further application, though it may increase the yield, will not increase it proportionally.<sup>1</sup> This point, which is called the point of diminishing return, marks the payable limit of improvements. The point of diminishing return is not fixed, but is variable, and varies with the circumstances. The heavier the tax on improvements, the less remunerative they are to the improver, and the lower is the point of diminishing return. The less the tax on improvements, the more remunerative do they become to the improver, and the higher is the point of diminishing return. To exempt improvements from taxation altogether would raise the point of diminishing return to its maximum, and would enable improvements to be developed to their utmost practicable extent.<sup>2</sup> Thus the untaxing of improvements would operate in the same direction as the taxation of land-values, the one making more land

<sup>1</sup> See Note A., "Space and Production."

<sup>2</sup> As regards machinery, see note B., "Unrating of Machinery."

available for use, and the other enabling more use to be made of it.

*The Land Question and Private Property*

The land question is at the root of private property, because the things which can become the subjects of private property are obtained from land. Thus a just land-system is the theoretical basis for private property in the products that are obtained from land by private effort. In practice, also, it is important to remember that the treatment of land as common property, and its rent as common revenue, would prepare the way for untaxing and unrating the products of industry.



## CHAPTER IV

### THE HOUSING PROBLEM

#### *General Features*

THE housing problem is no new thing ; but it has been greatly aggravated by the war. It is to be solved, not by temporary makeshifts, but by systematic reform. The general character of that reform has already been outlined, and the special case of housing calls for particular treatment.

#### *Land for Building*

The first step towards building is to obtain the land to build upon ; and it is notorious that lands which are being valued at an almost nominal value for rating and taxation are held up for exorbitant prices when they are wanted for building. This preliminary obstacle must be removed. The land, apart from the improvements, rightly belongs to the people, and those who are holding it should be required to pay for it according to its true market value, whether they are using it or not. So long as they hold it, so long they should pay for it. The application of this policy is the first step to housing reform, because it would break the land blockade and enable people to obtain the land on fair terms.

*Penalties on Building*

It is important to remove, or greatly to reduce, the present penalties on building. If houses are exempt from rating and taxation, it pays to build them as soon as the prospective tenants are ready and willing to pay what will be a sufficient return on the cost of the land and the building. But if houses are rated and taxed, building is held up until the prospective tenants are able and willing to pay, not only that return, but also—directly or indirectly—the rates and taxes. Thus rates and taxes on houses hinder building; and this hindrance has been greatly increased by the recent increase of the rates and taxes, which in many places aggregate more than 10s. in the £, and in certain places more than 20s. in the £ of annual value. Under the present system of rating and taxation, building is penalised more severely than any other industry. Nor is it possible to remove, or even to reduce, these penalties except by the adoption of land-value as an alternative standard for the rating and taxation of landed property.

*Conversion of Houses to Flats*

This reform would also enable existing accommodation, in many cases, to be utilised better than at present. In almost every town there are many large houses that have been standing empty for some time, and are likely to remain so; yet there is plenty evidence that the unused accommodation would be sought almost at once if some of these houses were converted into flats. But anyone who undertakes this useful work, even if he can arrange matters with the ground-landlord, finds himself heavily

penalised by the raising of the valuations and the resulting increase of the rates and taxes.<sup>1</sup> The transference of rating and taxation from houses to land-values would remove this penalty and would facilitate the development of existing accommodation.

### *The Passing of the Slums*

The reform would also promote the passing of the slums and the substitution of decent houses. The present practice is preposterous. When slum houses are condemned and the inhabitants are turned out, the slum owner is at once relieved from rating and taxation, and he thereupon proceeds to hold up the slum property till he can obtain a high price from the local authority or whoever else wants to develop the site in a proper way ; and grants of public money are then sought for the demolition of the slums, while the building of better houses in their place is checked by the taxing and rating of houses. The proper course is to tax and rate the owner of the slum property on the value of the land, whether the houses are occupied or not. If this plan were followed, slum properties would soon be available for building on fair terms ; and if houses were free from rating and taxation, rebuilding could proceed without delay.

### *Materials for Building*

This reform would also enable many of the materials used in building to be obtained more easily and more cheaply. Stone, slates, clay for bricks and tiles, sand, lime, and other things are obtained from the land.

<sup>1</sup> The provisions of s. 12 (9) of the Rent Restrictions Act, 1920, in this respect, are of very limited application.

Under the present system we rate and tax those who hold the natural storehouse of these materials according to the value of the use that they are making of it ; and if the materials are not being worked, their market value is not taken into account, so that every facility is given for holding up these resources until the landlord can get the terms that he wants. Under the proposed system the market value of the rights to these materials would be included in the land-value and would be taxed and rated accordingly ; so that the landlords would then have to consider, not whether it would pay to let them, but whether it would pay to continue withholding them from use. Thus the system would lead to the development of these natural resources, facilitating the output of materials for building, and providing new opportunities in quarries, brickfields, and other spheres of industry,

### *Building and Employment*

The building of houses gives wide and varied opportunities of livelihood. The structural work, for instance, requires bricklayers, stone-masons, joiners, and slaters ; the finishing requires plasterers, paperhangers, and painters ; the equipment requires plumbers, gas-fitters, and electricians. Behind them again are the people employed in the quarries and brickfields, in the manufacture of articles for the house and its equipment, and in the transport of all these things. The present conditions, which hinder the building of houses, restrict the opportunities for all these workers, force them into competition with other workers, cause unemployment, and reduce the wages of those who are employed. The proposed reforms, by giving free course to building,

would open up new opportunities for this army of workers, would relieve the over-competition, would lessen unemployment, and would raise wages generally.

*Wages and House-rents*

The housing question is also interwoven with the general labour question, because the rents which the workers can afford to pay are conditioned by their earnings, and the poorer they are the more difficult it becomes for them to pay for even the reasonable cost of proper accommodation. Thus the housing question is bound up with the wages question, and the same general policy is required for both. The essentials of that policy are to break land monopoly, to enable the land to be obtained on fair terms and on satisfactory tenure by those who want to use it, and to untax and unrate houses and all other improvements, so as to give free scope for building, agriculture, and every other form of industrial enterprise. The policy is one of expansion and freedom.

## CHAPTER V

### REFORM OF LAND TENURE

(In this chapter the term "taxation of land-values" is used in a general sense, to include both National and Local Taxation—that is, both the taxation and rating of land-values.)

#### *Taxation and Tenure*

UNDER the taxation of land-values those who hold the land would have to pay to the people a rent based on the market value of the land that they hold, whether they are using it or not. The adoption of this policy would have a beneficial influence on the conditions of land-tenure, which would increase as the rates and taxes on landed property were increasingly transferred to land-values.

#### *Foundations of Fair Rent*

The pressure of having to pay a tax on the land-value so long as they are holding the land, apart from any question whether they are using it or letting it or deriving income from it, would cause those who are holding land idle to reconsider their attitude. This reform would lay the axe to the root of that unproductive retention of land, which narrows the natural supply and forces up rents and prices. It is one thing to hold up land when, as at present, that holding-up means merely the forgoing of an immediate return in the hope of a larger

return later on. But it would be quite another thing to hold up land when the holder has to meet recurring calls of the land-value tax and there is little or no prospect of a counterbalancing increase in what he will get for it, partly because the taxation of land-values would bring other lands into the market and would thus tend to reduce the price of land, and partly because any increase in the price of the land would lead to a corresponding increase in the valuation and in the amount of the tax. The new system would impel those who are holding land idle either to use it themselves or to bring it into the market, thus increasing the available amount of land and reducing rents and prices to what may be called the natural monopoly level. It would lay the foundations for fair rent.

#### *Continuity of Tenure*

The fact that the land-value tax would have to be paid continuously, irrespective of whether the land is being used or let or yielding a return, would incline lessors to seek continuity of rent, and would thus promote continuity or fixity of tenure. It would promote the development of tenancies for terms equivalent to perpetuity at what would practically be perpetual rents; the tenant, so long as he pays the rent, having as secure a tenure as if he had purchased the land. In Scotland, where subinfeudation is still continued in modernised form by the feuing system, the taxation of land-values would lead to a development of that system along the lines mentioned in the definition on p. 90. In England, where further subinfeudation was prevented by the Statute of Quia Emptores in the year 1290, the taxation

of land-values would similarly lead to the development of tenancies along the lines of the definition on p. 89. Until there is a general authorising of perpetual leases in England—as proposed in the next paragraph—these tenancies might take the form of :

- (a) Leases for long terms of years ;<sup>1</sup> or
- (b) Assignments of the fee simple subject to a perpetual rentcharge ;<sup>2</sup> or
- (c) Perpetual leases at a perpetual or fee-farm rent, in those cases where the Legislature has specially sanctioned them.<sup>3</sup>

#### *Authorising of Perpetual Leases*

The power of granting perpetual leases should be made of general application, by providing that anyone who has power to sell land should have power to grant or demise it in perpetuity at such fee-farm or other rent secured by such conditions of re-entry or otherwise as may be agreed upon.—This general application of what has already been done in certain cases would open the way for the direct granting of perpetual leases at perpetual rents, which are the simplest and the most convenient

<sup>1</sup> What are called perpetually renewable leases are treated as leases for 2000 years by the Law of Property Act, 1922, s. 145 and Schedule 15.

<sup>2</sup> Under the Conveyancing Act, 1881, ss. 44, 45, as explained by the Conveyancing Act, 1911, s. 6. These are the provisions under which the Small Holdings Act, 1908, s. 11 (4), enables a County Council, in selling a small holding, to leave a certain proportion of the purchase-money outstanding on perpetual rentcharge.

<sup>3</sup> As under the Settled Land Act, 1882, s. 10, the Small Holdings Act, 1908, s. 40 (5), and the Small Holding Colonies Act, 1916, s. 7. The wording of the proposal in the next section is based on the language of these special provisions.



forms of continuous tenancies. Incidentally, it would render the Statute of Quia Emptores practically obsolete. The object of that Statute, as declared in the preamble, was to preserve the legal rights of feudal lords to certain incidents of feudal tenure; and that object has long ceased to exist, because these incidents were abolished by the Act for the Abolition of Military Tenures in 1660. This Act of 1660 (to quote from Sir Arthur Underhill's book on the Law of Property Act, 1922, at p. 27), "took away all the reasons for the complexities that depended on feudal considerations, while leaving these complexities themselves untouched." There is no reason why a person who can sell land either outright or subject to a perpetual rentcharge, or can lease it for any definite term, however long, should be debarred from leasing it in perpetuity.

#### *Readjustment of Rents*

A difficulty in the way of perpetual leases, and of long leases generally, is that of fixing the rent satisfactorily for long periods ahead. This difficulty could be lessened by splitting the rent into two portions: a land-rent, which might be readjusted automatically by the land-value valuations; and an improvements-rent, which might be fixed at the making of the lease. Such an arrangement would in many cases prepare the way for the purchase of the improvements, either outright or by a series of instalments, leaving the land-rent as a perpetual rent readjusted automatically by the valuations. In either of these arrangements the subsequent valuations could be used to readjust the land-rent as between landlord and tenant, as well as to provide a standard for the public charges on the land-value.

*Freedom of Transfer*

The taxation of land-values would also promote freedom of transfer, which is the natural sequence to perpetuity of tenure. Under a terminable tenancy it may pay the tenant to leave the property exhausted at the end of the term ; whence the need of protecting the reversion by imposing a number of obligations on the tenant and by placing restrictions on transfer, so as to prevent his avoiding the obligations by transferring the tenancy to someone else who may be unable or unwilling to perform them. But where the tenure is perpetual, and particularly where the improvements have been made or purchased by the tenant, it is in the tenant's own interest to work the land steadily and well, any other person who takes over the tenancy becomes subject to the same conditions, the landlord's claim to the rent is sufficiently secured by his right to resume the property if that rent is not paid ; and the way is prepared for freedom of transfer.

*Compensation for Unexhausted Improvements*

Under these conditions the tenant could at any time obtain the full value of his unexhausted improvements by the sale of his tenancy. The statutory provisions as to compensation for unexhausted improvements should, of course, be maintained ; they are necessary to mitigate the evils of terminable tenancies, though they do so only to a limited extent. They apply only to agricultural subjects ; in the absence of special agreement the improvements that the landlord can reasonably be required to give compensation for—or, in other words, to purchase from the outgoing tenant—are comparatively few ; and he is not likely to agree to other improvements in such

a way as to make himself liable to purchase them unless he is satisfied that it will pay him to do so. But under the automatic system of realising the improvements by selling the tenancy, the tenant could realise in a free market the value of any improvements whatever that add to the market value of the tenancy.

### *The Key to Production*

As Henry George has said :

“ What is necessary for the use of land is not its private ownership, but the security of improvements. It is not necessary to say to a man, ‘ This land is yours,’ in order to induce him to cultivate or improve it. It is only necessary to say to him, ‘ Whatever your labour or capital produces on this land shall be yours.’ Give a man security that he may reap, and he will sow ; assure him of the possession of the house he wants to build, and he will build it. These are the natural rewards of labour. It is for the sake of reaping that men sow ; it is for the sake of possessing houses that men build. The ownership of land has nothing to do with it. . . . It is not the magic of property, as Arthur Young said, that has turned Flemish sands into fruitful fields. It is the magic of security to labour. This can be secured in other ways than by making land private property.”<sup>1</sup>

### *Secure Possession*

“ Give a man secure possession of a bleak rock,” wrote Arthur Young, “ and he will turn it into a garden ; give him a nine years’ lease of a garden, and he will convert it

<sup>1</sup> *Progress and Poverty*, 8, i.

into a desert.”<sup>1</sup> But the secure possession that enables him to reap the results of his industry can be obtained by a continuous tenancy at a continuous rent, as exemplified in Scotland by the feuing system and in England by some kinds of tenure already mentioned. Continuous tenancy at a rent is a particularly convenient method for obtaining the advantages of secure possession, because it can be arranged directly without State assistance; it enables people to obtain and work the land with the minimum of outlay, and it facilitates transfer, as the only subject of transfer is the tenant-right, that is, the right to hold the land continuously, subject to the payment of a continuous rent.

#### *Against State-aided Land-purchase*

Public money ought not to be used to assist private persons to purchase the land from the landlords. Any such plan is diametrically opposed to the policy of treating the land as the property of the people, and would strengthen the hands of private landlordism by increasing the number of small landlords who would rally to the large ones in support of land monopoly. In practice, too, the financing of any such scheme generally means the endowment of landlordism with public money, as in the Irish case to be mentioned presently. Land-purchase is

<sup>1</sup> *Travels in France*, 29th July 1787. This sentence follows one in which Young speaks of the “enjoyment of property,” and helps to indicate what he had in mind when he wrote the passage (*ib.*, 7th November 1787) to which Henry George refers. The duration of the tenure also affects the manner of building. In England, short-term leases have conduced to jerry-building; while “the system of feuing in Scotland . . . has tended to secure greater solidity and firmness in the average buildings of the northern country” (*Encyclopædia Britannica*, 11th ed., art. “Feu”).

unnecessary, because all the advantages of secure possession can be obtained by a satisfactory system of tenure subject to the payment of rent. Land-purchase has generally to be spread over many years, and if in the meantime the purchaser dies or desires to dispose of his rights, fresh difficulties occur. Even the completion of the purchase does not solve the problem; because, if the land has afterwards to be transferred to someone else who has not the money to purchase it outright, the same problem arises again, and the same process may have to be repeated. Peasant proprietorship, moreover, is apt to lead to mortgaging, which re-establishes landlordism in its worst form.<sup>1</sup> To allow mortgaging may defeat the object of the scheme, because there is no advantage in buying out the landlord to let in the mortgagee; to prohibit mortgaging interferes with freedom of disposition; and to impose a limited prohibition is to some extent open to both these objections.<sup>2</sup>

#### *Small Holders prefer Tenancy to Purchase*

Experience shows that the small holders themselves prefer tenancy to purchase. In England, notwithstanding all the facilities for purchase afforded by the Small Holdings and Allotments Act, 1908, s. 11, of the 43,245 persons who applied to County Councils for small holdings under that Act up to the end of 1913—the year

<sup>1</sup> See Note C., "The Cancer of Mortgaging."

<sup>2</sup> An instance of limited prohibition may be found in the Irish Land Act, 1903, s. 54. Besides being of a complicated nature the limitation has to some extent been circumvented by the in *National Bank v. Diffely*, 1910, 1 Irish Reports, which does not apply to what are commonly called equitable deposit of title-deeds, which are quite as effective as mortgages to defeat the objects of the scheme.

before the war—less than 2 per cent. expressed any desire to purchase.<sup>1</sup> In Scotland, as soon as the Small Landholders (Scotland) Act, 1911, had improved the small landholders' tenancy and extended its application, the holders, who were purchasing their holdings by instalments on the two estates belonging to the Congested Districts Board, made unanimous application (which was granted) to discontinue purchasing and to become tenants under the new small landholders' tenure.<sup>2</sup> In Ireland, the tenure under the earlier Irish Land Acts was far from satisfactory, and the Irish landlords were opposed to anything except State-aided purchase on ransom terms; with the result that the tax-payers of the United Kingdom were called upon, not only to finance the transactions, but also to provide a free gift to the landlords of at least £17,000,000.<sup>3</sup> Even so, it still remains to be seen how the system will work out, whether peasant proprietorship will not develop the same defects in Ireland that it has developed elsewhere, and whether the increasing of the number of small landlords will not strengthen the hands of private landlordism.

#### *A More Excellent Way*

This Irish precedent has, moreover, led landlords elsewhere to think that they also can hold the land to ransom till they get similar terms. But the people have learned much during recent years. There is an increasing recognition that the land which Nature has

7th No H. C. Debates, 2290, 16th March 1916.  
of the concluding Report of the Congested Districts Board, short-term Paper No. 6381 (1912), at p. 8. The functions of that of feuing in transferred by the Small Landholders (Scotland) Act, firmness in the ward of Agriculture for Scotland.  
*pædia Britannica*, 11es, 196, 30th March 1909.

provided belongs of right to the people as a whole, and that instead of the people having to buy it from the landlords, the landlords should have to pay a rent for it to the people. The transfer of rates and taxes to land-value would apply this new policy, and, besides opening the land on fair terms for those who want to use it, would do much to promote the reform of land tenure.

### *Overlordship of the Crown*

The system of requiring those who hold the land to pay to the Crown—as representing the people—a rent for the land that they hold as a condition of holding it, would give reality of a modern kind to the principle of law that all land is held of the Crown. It would place the owner of the fee-simple in the position of a Crown tenant, holding the land in perpetuity on condition of continuing to make payments based on its land-value for the time being, with any improvements freed from public charges—or, at least, freed from them as much as possible. In subordinate tenancies these conditions would tend to reproduce themselves, for the reasons already stated. The greater the proportion of the land-value taken for the people, the stronger will be the tendency to eliminate intermediate interests and to consolidate the Crown-tenancy with the occupation of the land. Thus the key of land taxation is the key to the reform of land

<sup>1</sup> When the rights of the people to the land are  
<sup>2</sup> See  
 Command, the subordinate arrangements will soon  
 Board were not satisfactory. Taxation and tenure  
 1911, to the Board  
<sup>3</sup> H. C. Deb. to one another, and they would be  
 der the new scheme.

## CHAPTER VI

### THE RENT OF LAND

#### *The Nature of Rent*

THE rent of land is the payment that can be obtained for the right to occupy and use it. What makes rent possible is that land can be made to produce *more* than what would just suffice to remunerate production, and what makes rent an actuality is that, in consequence of the demand for land and its products, people are willing to pay part of this *more* for the right to occupy and use the land.

#### *Agricultural Rents*

Different portions of land have different productive capabilities. Thus, for instance, to a given amount of cultivation some lands will yield a large return, some a smaller return, and some a return that is smaller still. In the course of dealings in land, people are willing to pay more for the land that will yield a larger return than for that which will yield a smaller return, so that the differences in the productive capabilities of different lands find expression in the differences of the rents that they command. Agricultural rent starts from the least productive land which is used for agriculture, and the higher rents of the more productive lands represent approximately their respective economic advantages over that land. Thus



also, the payment of higher rents for the more productive lands tends to reduce the net returns that the cultivator obtains from them to the level of the returns obtainable from the least productive land used for cultivation.

#### *Sub-agricultural and Super-agricultural Rents*

The law of rent extends also to other lands. Lands that are too poor for agriculture may still command what may be called sub-agricultural rents for grazing or sporting, or even the desire of possession, these rents diminishing as we reach those lands that are more barren and remote. Moving in the other direction we find, as we approach villages and towns, that the demand for accommodation makes building more profitable than cultivation, and that lands command what may be called super-agricultural rents, increasing with the density of the population, till even a small portion of land in the heart of a city may be worth a fortune. These classifications are, of course, only descriptive. Agriculture is intermixed with grazing; houses are built in country districts as well as elsewhere; and there is cultivation even within the towns. Through all the gradations of land there operates the general principle, that the rent obtainable for any portion of land represents its economic advantage over the land for which no rent, or only a nominal rent, is obtainable; or, in other words, that, in consequence of the demand for land, the additional value of the more valuable lands materialises into rent.

#### *Land and Improvements*

Where land is let in its unimproved condition, the rent represents the value of the land alone. The rent obtain-

able for a particular portion of land can be distinguished from that obtainable for the improvements, if any, that are on it, and does not depend on these improvements. "If, in the heart of London, a space of twenty acres had been enclosed by a high wall at the time of the Norman Conquest, and if no man had ever touched that portion of soil, or even seen it from that time to this, it would, if let by auction, produce an enormously high rent."<sup>1</sup> Similarly, also, when a cleared site is disposed of, the rent represents the value of the land alone; as is also the case where the site is occupied by obsolete buildings which any person acquiring it would demolish in order to make room for better ones. These simple instances show that the value of a portion of land does not depend on the value of the improvements on that particular portion; though, of course, these improvements may themselves be of considerable value.

### *Urban Land-value*

We can visualise the meaning of land-value by taking the case of an actual property. Thus, to quote from an address by the present writer in the Trades' Hall, Glasgow, on 4th November 1916:

"What is meant by land-value? Take this place where we are now met. Suppose that we removed the roof, that we took away the floors, that we demolished the walls, and that we dug up and carried away everything that human industry had placed on, in, or under the soil. What would we have left? We would have a certain number of square yards of land in an important part of the

<sup>1</sup> P. E. Dove, *Elements of Political Economy* (1854), p. 283.

City of Glasgow, and the ownership of them would carry with it the right to what lay below, down to the centre of the earth, and to the unrestricted air space above ; and in this community where competition is keen, you would find that this land possesses a high value. That is the value which we are out to tax. Stated generally, the land-value of any piece of land is the value of the land which is there naturally, apart from improvements which have been made by human industry."

#### *Agricultural Land-value*

The same principles apply to the value of all land, whether it is being used for purposes of building or of agriculture, or is being put to any other use, or is being left idle. Nature has provided the substance of the land ; she renders it more suitable for use by the erosion of the rocks, the weathering of the surface, and the work of the earthworms ; while among her other gifts are the sunshine, the wind, the rain, and the natural drainage of the streams and rivers. Nature herself is the great producer ; and Man has entered into her labours and has been able increasingly to turn her processes to his own advantage.<sup>1</sup> In so far as anyone has made improvements he is justly entitled to enjoy the benefits of these improvements and to realise the value of them. But the community as a whole is entitled to the free gifts of Nature ; or, if they are in private hands, to their land-value or rent.

<sup>1</sup> Considerations of this kind doubtless suggested St Paul's metaphor, "I have planted, Apollos watered ; but God gave the increase" (1 Cor. iii, 6).

*General View of Rent*

For a general view of rent, the following passage may be quoted from *Progress and Poverty*, 3, ii :—

“ No matter what are its capabilities, land can yield no rent and have no value until someone is willing to give labour, or the results of labour, for the privilege of using it; and what anyone will thus give, depends not upon the capacity of the land, but upon its capacity as compared with that of land that can be had for nothing. I may have very rich land, but it will yield no rent and have no value so long as there is other land as good to be had without cost. But when this other land is appropriated, and the best land to be had for nothing is inferior, either in fertility, situation, or other quality, my land will begin to have a value and yield rent. And, though the productiveness of my land may decrease, yet if the productiveness of the land to be had without charge decreases in greater proportion, the rent I can get, and consequently the value of my land, will steadily increase. Rent, in short, is the price of monopoly, arising from the reduction to individual ownership of natural elements which human exertion can neither produce nor increase.”

*Fluctuations of Rent*

As the rents of the more productive lands represent their economic advantages over the least productive land in use, these rents fluctuate with the lower limit of production, becoming greater if the lower limit of production is forced down to less productive land than

before, and becoming less if it is raised to more productive land than before. Conditions which restrict the available supply of productive land, or hinder its development, tend to depress the lower limit of production and the datum-line of rent, and to increase the rents of the more productive lands. Conversely, conditions which increase the available supply of productive land, or promote its development, tend to raise the lower limit of production and the datum-line of rent, and to reduce the rents of the more productive lands. The present system, by giving facilities for withholding land from use and imposing penalties on improvements, tends to increase rents. The proposed system, by bringing unused land into the market and untaxing improvements, would tend to reduce rents.

#### *Qualifications to the Law of Rent*

The law of rent is a general proposition which is qualified in each case by the circumstances. Thus, for example, the different yields of different lands cannot be proportioned with exactitude; the actual rent frequently covers improvements as well as land, and is interwoven with the other conditions of the tenancy; while personal relations, local opinion, and existing usage are among the other modifying influences. Rents, moreover, are affected by variations in the demand for land as well as by variations in the available supply of it; an increase of population tending to increase the demand for land, and a decrease of population tending to reduce that demand. Similarly, also, movements of population from one place to another, by causing variations in the demand for land, cause corresponding variations in rent.

But, while these and many other factors have to be considered, the law of rent is fundamental and is the master-key to the land problem.

### *Rent a Natural Phenomenon*

The essential feature of rent is the difference of return of different lands to equal amounts of effort. Where there is sufficient demand for the land, these differences materialise into differences in the rents that the lands command. Thus the rent of any particular land represents its economic advantage over the least productive land in use. It would be as impossible to abolish rent as to abolish the differences of productivity of different lands of which it is the embodiment. Nor would its abolition, even if possible, reduce the price of the products, because the cost of production which regulates the prices of the products is the cost of producing them on the least productive land on which they are profitably produced.

### *Evolution of the Law of Rent*

In earlier times the payments for the use of the land generally took the form of rendering services, or handing over a certain proportion of the produce, or of paying rents in kind. The gradual transition to money-rents, among its other results, enabled people to make comparisons between the rents of different lands, and to analyse the relation between the rents of agricultural lands and the prices of agricultural produce. Then came the question whether the prices were regulated by the rents, or the rents by the prices. Adam Smith (1776) showed in general terms that the price of the produce

was regulated by the cost of producing it; but he did not pursue the inquiry to the point of ascertaining whether this cost was the cost of producing it on the more productive land, where the cost of production per unit is relatively low, or the cost of producing it on the less productive land, where the cost of production per unit is relatively high.<sup>1</sup> Yet this question had to be answered; because, for instance, the price of similar produce in the same market is the same, whether it is produced on the more productive or on the less productive land. Dr James Anderson, in a tract on the Corn Laws, published at Edinburgh in 1777,<sup>2</sup> showed that the cost of production which regulates the price of produce is the cost of producing it on the least productive land on which it is payably produced, and that the additional return from the more productive land is a kind of natural bonus which enables that land to command a correspondingly higher rent.

### *Importance of the Law of Rent*

The law of rent, as it is commonly called, though it failed to obtain attention at the time, was "almost simultaneously rediscovered" and restated by Malthus

<sup>1</sup> Adam Smith's treatment of rent has been considered in J. R. McCulloch's edition of the *Wealth of Nations* (1850) Notes iii and xxiv, and in the chapter on "Adam Smith and our Modern Economy" in Walter Bagehot's *Economic Studies*.

<sup>2</sup> *An Enquiry into the Nature of the Corn-Laws; with a view to the new Corn-Bill proposed for Scotland*. Curiously enough, the part that sets out the law of rent was relegated to a footnote, which was reprinted in Note iii to McCulloch's edition of the *Wealth of Nations* (1850). Dr Anderson also stated the law of rent in his articles "On Rent and Grain" in *The Bee* (Edinburgh, 1791) vol. vi, p. 293; and in *Recreations in Agriculture, &c.* (London, 1801) vol. v, p. 401. His article in *The Bee* was reprinted in *Land Values*, June 1910.

and by Sir Edward West in 1815, and by Ricardo in 1817. John Stuart Mill called it "one of the cardinal doctrines of political economy," and said that "until it was understood, no consistent explanation could be given of many of the more complicated industrial phenomena."<sup>1</sup> It shows, in the words of Dr Anderson, that "it is not the rent of the land that determines the price of its produce, but it is the price of that produce which determines the rent of the land." The law of rent also explains how Corn Laws,<sup>2</sup> which increase prices, operate to increase rents; it leads to the law of wages and the law of interest; and it suggests that the natural bonus which materialises into rent should be treated as the common revenue of the people.

<sup>1</sup> *Principles of Political Economy*, 2, xvi, 3.

<sup>2</sup> See Note I., "Corn Laws."



## CHAPTER VII

### THE WAGES OF LABOUR

#### *Labour and the Land*

"THE land," as Carlyle said, "is mother of us all."<sup>1</sup> On it we all live, and from it, directly or indirectly, we obtain our sustenance and our wealth. Thus, conditions which hinder the development of the land impoverish the people, and conditions which promote the development of the land enrich the people. Thus also, to carry the matter a step farther, conditions which hinder the development of the land narrow the opportunities of livelihood, increase the competition in the labour market, and reduce wages; whilst conditions that promote the development of the land increase the opportunities of livelihood, lessen the competition in the labour market, and raise wages.

#### *Law of Wages*

Adam Smith showed that under primitive conditions what he called "the natural recompense of labour" is the return that labour can win from the land to which it has free access;<sup>2</sup> and it follows that, when rent emerges,

<sup>1</sup> *Past and Present*, 3, viii.

<sup>2</sup> *Wealth of Nations*, I, viii.

the natural recompense of labour is the return that labour can win from the land to which it still has free access, or from more-productive land subject to the payment of rent. This natural recompense of labour may be regarded as Nature's minimum wage, from which other wages are graded according to the demand for special skill, training, and ability. We can now expand the generalisation made in the last chapter. Conditions which restrict the available supply of productive land or hinder its development, besides tending to depress the lower-limit of production and to increase the rents of the more productive lands, tend also to reduce the natural recompense of labour and wages generally. Conversely, conditions which increase the available supply of productive land and facilitate its development, besides tending to raise the lower-limit of production and to reduce the rents of the more productive lands, tend also to increase the natural recompense of labour and wages generally.

### *Evolution of the Law of Wages*

Adam Smith observed that one of the chief causes of prosperity in new Colonies was the "plenty and cheapness of land," which led to the colonists giving "most liberal wages" to attract labourers, and also led to these labourers setting up for themselves and, in their turn, offering liberal wages to others.<sup>1</sup> Patrick Edward Dove showed that "far the most important matter affecting the value of labour is the distribution of the land," that

<sup>1</sup> *Wealth of Nations* (1776), 4, vii, 2. It is interesting to observe that in a recent speech the Canadian Minister of the Interior spoke of Canada's ability to offer "cheap and fertile lands convenient to the railways," as her great attraction to settlers from other countries (*The Times*, 29th November 1922).

“ wherever there is free soil, labour maintains its value ” ; where the land is held idle, the value of labour is depreciated ; and where labourers “ cannot get the land to labour on, they are starved into working for a bare subsistence.”<sup>1</sup> But it was left to Henry George to develop these principles and to correlate the law of wages with the law of rent.<sup>2</sup>

### *Land and Wages*

The relation between land and labour has forced itself on the notice of both employers and employed. In some of the West India Islands the coloured population wanted the Crown lands to be made accessible to them ; but the owners of the sugar estates realised that if this step were taken it would be impossible for them to obtain labour “ at the prices which they were prepared, or could perhaps afford, to pay ” ; and “ what suited them best was a large supply of labourers entirely dependent on being able to find work on the estates, and consequently subject to their control, and willing to work at low rates of wages.”<sup>3</sup> In South Africa the fact that the natives “ had access to the land on such terms as enabled them to regard work for wages as a mere supplement to their means ” made it difficult, if not impossible, for the mine owners to get the natives to work in the mines for the wages that they were offering, and some of the mine owners proposed “ to do away with free land to the natives ” in order to drive them to

<sup>1</sup> *Theory of Human Progression* (1850), p. 406 n.

<sup>2</sup> *Progress and Poverty* (1879), 3, vi, vii.

<sup>3</sup> *West India Royal Commission Report*, C. 5658 (1898), para. 288.

the mines.<sup>1</sup> In both these Dominions, however, the authorities maintained the rights of labour to the land. The South African case is of special interest, because it shows that even uneducated and unorganised Kaffirs can resist the attempts of a powerful and well-organised syndicate to reduce them to wage-slavery, so long as their rights to the land are maintained.

### *Agricultural Labourers*

This relation between land and labour is seen most clearly in cases of workers on the land ; but it is no less important as regards all other workers, because the exodus from country districts means an inflow of country workers to the towns, increasing the competition and reducing wages there. Thus it is to the interest of both town and country workers that the conditions in country districts should be improved, so as to open up better prospects there. As Henry George said, "To raise wages permanently you must raise the wages of the lowest man."<sup>2</sup> Whatever may be said for a statutory minimum wage, the mere fixing of a minimum wage may not be much good unless it is accompanied by a provision for employment at that wage.<sup>3</sup> It should be remembered that the Minister who introduced the (now-repealed) Corn Production Act, 1917, resisted the proposal to raise the statutory minimum weekly wage for agricultural labourers from 25s. to 30s., on the ground that if it were

<sup>1</sup> *South African Native Affairs Commission Report*, 1905, Cd. 2399, pars. 372, 413.

<sup>2</sup> At Paisley, 18th December 1884 ; see the *North British Daily Mail* of the next day.

<sup>3</sup> "It is nothing to fix a minimum of wages unless there be a provision that work, or wages at least, be found for all who apply for it ;" John Stuart Mill, *Principles of Political Economy*, 2, xii, 1.

done farmers would turn the land from arable to grass,<sup>1</sup> and the agricultural labourers would be even worse off than before. The agricultural labourers are the victims of a system that enables the land to be held against them, that favours the non-productive or less-productive uses of it, and that penalises those improvements which are required for more intensive cultivation and for other developments.

### *Stairway of Employment*

The interests of all the workers are bound up together. Those of the workers in the towns are bound up with those of the workers in the country districts. Those of the employed are bound up with those of the unemployed, because the employed are not likely to be able to improve their conditions so long as others in worse plight are waiting for work. The workers, in their various gradations, may be likened to people crowded on the stairway of employment; if the conditions allow of an upward movement, they all move up, and there is room for others on the lower steps; if the conditions compel a downward movement, they all move down, and those on the lower steps are pushed off the stairway altogether. Thus the improving of the general conditions is important to all the workers, and particularly important to those who are on the lower steps. It is as important to women as to men, because the well-being of the men is bound up with the well-being of their wives and families, and also because many of those on the lower steps are women workers.

<sup>1</sup> 96 *H. C. Debates*, 939, 23rd July 1917. In the recent dispute between the farmers and the farm-labourers in Norfolk, there was talk of not troubling about root-crops or hay, and turning the stock into the meadows; see *The Times*, 2nd April 1923.

## CHAPTER VIII

### CAPITAL (STRICTLY SO-CALLED)

(NOTE.—In this chapter the terms “ Capital ” and “ Interest ” are used in their strict meanings. The wider uses of these words are considered in the concluding paragraph.)

#### *Land, Labour, Wealth, and Capital*

THE original factors in production are land and labour, the word “ land ” being used to include all the gifts of Nature that exist independently of human agency, and the word “ labour ” being used to include human agency in all its forms. It has been well said that labour is the father and land is the mother of wealth, because wealth is got from land by labour. The word “ wealth ” is used to denote all that has been got from land ; and wealth becomes “ capital ” when it is used to assist in the production of more wealth.<sup>1</sup>

#### *Use of Wealth as Capital*

The use of wealth to assist in the production of more wealth began when people commenced to use some of the roots and seeds that they had collected for planting and sowing, or to reserve some of the animals that they had captured for breeding or milking, or to take sticks

<sup>1</sup> See Note D., “ Factors in Production.”

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and stones and fashion them into weapons and implements.<sup>1</sup> These and many kindred processes have advanced with ever-increasing rapidity, assisted by the progress of invention, the working of the metals, and the utilizing of water-power, wind-power, and the power latent in wood, coal, and other fuels. Through all these developments, however, the land remains the source of the wealth that can be used as capital, and the primary function of capital is to increase production from the land.

### *Natural Recompense of Capital*

The natural recompense of capital is the return which can be obtained by applying it to production from such land as can be had freely, or from more-productive land subject to the payment of rent. This relation is manifest where people are using wealth that they have obtained from the land to assist in further production from the land, and it is equally true where they have to borrow that wealth from other people. Thus—to carry the generalisation already made a step further—conditions which restrict the available supply of productive land or hinder its development, besides tending to raise rents and to reduce wages, tend also to reduce the natural recompense of capital. Conversely, conditions which increase the available supply of land and encourage its

<sup>1</sup> The sprouting of stored roots and seeds appears to have suggested planting and sowing, and the breeding of captured animals to have suggested the reservation of them for that purpose; see, for instance, Dr Edward Jenks's *History of Politics* (1900), pp. 22, 43. The use of sticks and stones in their natural condition led to those of the more convenient shapes being gradually selected and improved.

development, besides tending to reduce rents and to increase wages, tend also to increase the natural recompense of capital.

### *Evolution of the Law of Interest*

David Ricardo, in his *Principles of Political Economy and Taxation* (1817), in which he set out the law of rent, explained also, in the chapter "On Currency and Banks," that the rate of interest is regulated "by the rate of profits which can be made by the employment of capital." James Mill, in his *Elements of Political Economy* (1821), 4, v, showed that "as population increases, and as capital is applied with less and less productive power to the land, a greater and a greater share of the whole of the net produce of the country accrues as rent, while the profits of stock proportionally decrease." John Stuart Mill, in his *Principles of Political Economy* (1848), recognised the contrary tendencies of rent and interest, but considered the bearing of interest upon rent rather than the bearing of rent upon interest.<sup>1</sup> Henry George, in Book iii of *Progress and Poverty* (1879), worked out the correlation of rent, wages, and interest, showing that conditions which tend to increase rents, tend to reduce both wages and interest, and that conditions which tend to reduce rent tend to increase both wages and interest.

<sup>1</sup> As in 3, xxiii, 5, where he says that "When interest is low, land will naturally be dear; when interest is high, land will be cheap." It would be more correct to say that when land is cheap, interest is high; and when land becomes dear, interest becomes low. The consideration of land, labour, and capital in the order of their development does much to facilitate the analysis of rent, wages, and interest, and their mutual relations.



*International Reactions*

It should of course be remembered that, with the development of communications and of cheap and rapid transport, the conditions in each country are influenced increasingly by the conditions which prevail in other parts of the world. Thus, for instance, the bringing under cultivation of rich and hitherto uncultivated lands oversea affects agricultural prices and agricultural rents elsewhere ; the rates of wages in one country react to some extent upon the rates of wages in another ; and the general level of interest in one country reacts upon that in another to a greater extent, because capital is transferable more easily and more quickly than population. No country lives to itself alone, and regard must be had to international as well as national circumstances.

*The Storehouse of Nature*

Whether in one country or in the world as a whole, it is the productive capability of the land which enables people to obtain from it not only a subsistence but also a surplus, some of which can be used as capital. Thus the land is the source of capital ; and our consideration of capital should include not only the wealth which has already been obtained from the land and is being used as capital now, but also the further wealth—ininitely greater in amount—which will be so obtained and used in the future. To treat the land as common property, along the lines already indicated, would not only increase the production of wealth and extend the opportunities of using it as capital, but would also do much towards equalizing its distribution. The juster allocation of the

storehouse is the key to the fairer apportionment of the stores.

*Extended Use of "Capital" and "Interest"*

In this chapter the word "capital" has been used in its strict meaning to denote produced wealth used to assist in the production of more wealth, and the word "interest" to denote the return obtainable for it when so used. But the treatment of land as private property has led to "capital" and "interest" being used to include land and rent, and to "capitalism" being used to include landlordism. Landlordism, indeed, is the backbone of what is commonly called capitalism, because it means the private appropriation of those free gifts of Nature, which are the primary means of production and the sources of the secondary means of production. When the rights of the people to the land are properly secured, land, rent, capital, and interest will appear in true perspective.

## CHAPTER IX

### INVENTIVE PROGRESS

#### *Development of Production*

THE history of material progress is the record of Man's increasing ability to use the free gifts of Nature for the satisfaction of his desires. From a precarious subsistence on wild fruits and wild animals he has progressed to pastoral life and agriculture. From the use of natural substances as he found them, he has learned to quarry the stone, to mould and bake the clay, and to extract the minerals from the ore. From the use of primitive appliances, he has evolved elaborate machinery, and has harnessed the natural sources of energy to drive it. By these, and by a thousand other advances in the arts and sciences, he has been able to increase production, to accumulate wealth, and to enlarge the possibilities of life beyond the dreams of the past.

#### *Inequalities of Distribution*

But though the production of wealth has increased steadily, the distribution of wealth has remained very unequal, and the great mass of the people have not had anything like an adequate share in the advantages of progress. Whatever other causes have been at work, the principal cause of the unequal distribution of wealth is,

and always has been, the unfair appropriation of the natural sources from which it is obtained. If, even under primitive conditions, a small section of the community can appropriate the land and treat it as if it were practically their own, they can, in one way or another, secure a large share of the produce for themselves, leaving comparatively little to those who are actually engaged in production. If Nature were so bountiful as to make two blades of grass grow where only one grew before, and to double the return to every effort, the resulting benefits could still be realised only through the land, and the landowners would still have the same ascendancy over the landless. Nor are these results limited to production on the surface of the earth. The ownership of land includes the ownership of its contents; of the stone, clay, slate, coal, ironstone, metallic ores, and countless other substances; the landowners can quarry and mine them, but other people may not quarry or mine them except on the landowners' terms.

#### *Benefits of Invention*

The invention of water-wheels, which were used to turn corn-mills that had previously been operated by hand, gave the poet Antipater, some two thousand years ago, a vision of how the natural forces might be used to lighten human drudgery, and moved him to say, in beautiful Greek verse, that the women who were grinding at the mill would be enabled to take their ease, because the nymphs of the water would dance on the water-wheel and make it turn the mill for them.<sup>1</sup> But the results

<sup>1</sup> *Greek Anthology*, Bk. ix, No. 418. Further references to this poem, and to some early uses of mechanical power, may be found in the present writer's pamphlet, *The Natural Sources of Energy* (1919).

were otherwise. Those who possessed the land possessed the water-power, and the women who had been toiling at the mill had to toil at something else instead. The invention of the windmill made it possible to use the power of the wind; but when wind-driven sawmills were first set up in this country, they aroused the antagonism of the sawyers, who realised that they might have to seek some other means of livelihood.<sup>1</sup> In the same way, at a later date, the substitution of machinery for hand-work led to a series of riots. Nor was the opposition to these inventions unreasonable. Several centuries before Antipater, Aristotle had said that "if every instrument could accomplish its own work, if the shuttle could weave and the plectrum touch the lyre without a hand to guide them, chief workmen would not want servants, nor masters slaves."<sup>2</sup> With the development of what was almost automatic machinery going on before their eyes, it needed no great stretch of imagination for wage-workers of a later age to anticipate that many of them might find their occupations gone.

#### *The Object-lesson*

If inventive progress *alone* could improve the general condition of labour, the invention of the steam-engine, the spinning-jenny, and the power-loom should have brought the millenium. It brought misery. In considering the actual circumstances we should bear in mind that almost uncontrolled landlordism was denying the great majority of the people their rights to the land, making it difficult for them to get a livelihood, and enabling the new capitalism to exploit them. The

<sup>1</sup> Beckmann's *History of Inventions*, chapter on "Sawmills."

<sup>2</sup> *Politics*, I, iv; trans. Jowett.

results would have been even worse than they were if the home market had been the only market for the manufactured goods, as in that case the demand could not have kept pace with the increasing efficiency of the machines. Such advantages as followed were largely due to the manufactured goods being exported in exchange for food-stuffs and other products from distant lands, which were thus laid under contribution to relieve the pressure here. Even so, the reconstruction of industrialism redounded to the benefit of the few. The owners of the coal and iron and the proprietors of the factories amassed fortunes; many other people did well for themselves; but the great majority of the workers had to work for long hours at low wages, and under the appalling conditions which necessitated the Factory Acts. Reviewing the situation, John Stuart Mill wrote this memorable passage:—

“Hitherto it is questionable if all the mechanical inventions yet made have lightened the day’s toil of any human being. They have enabled a greater population to live the same life of drudgery and imprisonment, and an increased number of manufacturers and others to make fortunes. They have increased the comforts of the middle classes. But they have not yet begun to effect those great changes in human destiny, which it is in their nature and in their futurity to accomplish.”<sup>1</sup>

#### *First Things First*

If mechanical inventions are “to effect those great changes in human destiny, which it is in their nature and

<sup>1</sup> *Principles of Political Economy* (1848), 4. vi. 2.

in their futurity to accomplish," we must first realise that their function is to enable us to utilise and develop the free gifts of Nature with less effort and to greater advantage than before, and that if the people as a whole are to share in the general benefits of industrial progress, these free gifts of Nature must be treated as common property. This policy is as essential to the well-being of the workers in the most complex civilisation as in the most primitive conditions. It is of the first importance in this country to-day. The special conditions of the time gave us the lead in modern industrialism. But other countries have also developed along the same lines; the war has dislocated international trade and the international exchanges, and the resulting condition of labour makes it imperative that we should enforce the rights of the people to the land at home, so as to open the natural opportunities for use and to promote their development.

#### *Future Inventions*

These considerations apply not only to the inventions of the past, but also to the inventions that are developing now, and to the inventions of the future. The purpose of all inventions is to enable us to use the gifts of Nature to better advantage than before. The progress of science and art, by increasing the demand for various metals, has increased the value of the lands where these are to be found; the development of the steam-engine has increased the demand for coal and the value of the coal-fields; the invention of the internal-combustion engine has increased the demand for oil and the value of the oil-fields; and the new possibilities of utilising certain plants for the mass production of power-alcohol may

have similar effects on the value of the land where they grow. In all our present uses of the natural sources of energy we are making indirect use of solar radiation, which has raised the water, generated the wind, and made possible the growth of vegetation, both of the primeval forests that became the coal-measures and of the trees and plants of to-day. A new era will be opened when the progress of invention enables us to make direct use of solar radiation as a source of power. Speaking of an apparatus recently installed for cooking by sunlight at the astronomical station on Mount Wilson in California, the writer of a leading article in *The Times* observed that the direct transformation of the sun's rays into mechanical energy on any large scale, though at present it appears visionary, may become an accomplished fact at some future time. "If that time comes," he proceeded to say, "there will be a revaluation of the surface of the earth, and areas will be coveted in proportion to the daily and annual radiation they receive."<sup>1</sup> Thus, in other words, the advantages resulting from this great achievement would find expression in land-value. However much the progress of invention may enable us to utilise the free gifts of Nature, it will ever be of the first importance to treat these gifts as the common property of all her children.

### *The Great Trusteeship*

Whatever the stage of economic development, the common right to the land must be made effective. In

<sup>1</sup> *The Times*, 11th August 1921; see also the issues of 26th and 28th January and 2nd February 1922. An interesting article on "When the Desert Blossoms," in Mr Mee's *My Magazine*, January 1924, suggests the possibilities of the Sahara sunshine as a source of power.



this country, as matter of both history and law, all the land is held of the Crown as overlord. This overlordship should be regarded as a trusteeship for the people ; and the public charges on landed properties should be re-constituted by basing them in the case of each property on the market value of the land, irrespective of the improvements on it. This policy, as we have seen, would prevent the withholding of land from use, would make it available for use on fair terms, and would give free scope for its development ; and it would also do much towards equalising the distribution of wealth and the general benefits of inventive progress.

## CHAPTER X

### EVOLUTION OF LAND-VALUE PRINCIPLES

#### *Anticipations*

THE common right of the people to the land has found expression in many countries and on many occasions. We can trace it in the Levitical rules for the distribution and redistribution of land in Palestine, in Plutarch's account of the land-settlement of Sparta and Laconia by Lycurgus, in the agrarian laws of the Gracchi, in the village-community arrangements, and even in the feudal system, under which the lands were held of the king in consideration of what were to some extent public services. Negatively, also, the appropriation of the land to the detriment of the people has been a fertile cause of popular risings, revolts, and revolutions. Yet, though modified in various ways, private landlordism has continued to prevail, partly on account of the strength of the landed interest, partly from the force of custom, and partly because of the difficulty of constructing a system that would stand the strain of actual working, that would command the continued support of those for whose benefit it is intended, and that would maintain the public ownership of the land without prejudice to its development by private occupation and private use. The key was to be supplied by the law of rent; but, as we have

seen in Chapter VI, the law of rent could not be evolved until a certain stage of progress had been reached.

### *The French Physiocrats*

Even before the law of rent was evolved, principles resembling those here advocated had been put forward by Quesnay, Turgot, and the other French Physiocrats, whose principal publications appeared between 1752 and 1775. Regarding the land as the source of all wealth, they inferred that agriculture was the only industry which yields a surplus after the expenses of production have been deducted, and they advocated the imposition of an *impôt unique* on the *produit net* of the land as the only form of taxation. This proposal foreshadowed in some degree what is now known as the Single-tax; but the similarity of name should not be taken to imply identity of character. The *impôt unique* would have been applicable only where there was actual production and a surplus product, and the *produit net* differed in several important respects from what is now called economic rent. The Physiocrats wrote before the nature of rent had been analysed; they did a great work at a critical time; and they rank among those "who, in the night of despotism, foresaw the glories of the coming day."<sup>1</sup>

### *Thomas Spence*

In our own country, Thomas Spence, in his lecture on *The Real Rights of Man*, which was delivered at Newcastle-on-Tyne in 1775 and passed through a number of editions, took as his starting-point the principle of equal rights to liberty and to the land. His general

<sup>1</sup> Henry George's *Protection or Free Trade*; Dedication.

scheme was that on "a day appointed . . . the inhabitants of each parish meet, in their respective parishes, to take their long-lost rights into possession and to form themselves into corporations. . . . The land, with all that appertains to it, is, in every parish, made the property of the corporation or parish, with as ample power to let, repair, or alter all or any part thereof as a lord of the manor enjoys over his land, houses, etc.," but without "the power of alienating the least morsel" of it, for it was to belong to the parish in perpetuity. The following summary of Spence's plan is from the footnote to his political song entitled *The Rights of Man*, which was published in 1783:

"After the whole amount of the rents are collected in a parish from every person, according to the full value of the premises which they occupy, so much per pound according to Act of Parliament ought to be set aside for the support of the State instead of all taxes; another sum should next be deducted for support of the parish establishment, instead of tolls, tithes, rates, cesses, etc., after which the remainder belongs equally to all the settled inhabitants, whether rich or poor, and ought to be divided equally among them."

Spence explained in his lecture that "there are no taxes of any kind to be paid among them, by native or foreigner, but the aforesaid rent." It appears, however, that the rent thus contemplated was the rent of both land and improvements, and that Spence's plan would have left only movables as private property.<sup>1</sup>

<sup>1</sup> This view is confirmed by what Spence wrote in the concluding paragraphs of his *Rights of Infants*, 1797. As to modern reprints of his *Real Rights of Man*, see Note E.



starting life and to provide old-age pensions; and that this fund should be financed from the rents of the land, which Paine regarded as belonging of right to the people. After asserting the primary rights of man to the use of the earth, he proceeded to say that :

“ The earth, in its natural state . . . is capable of supporting but a small number of inhabitants, compared with what it is capable of doing in a cultivated state. And as it is impossible to separate the improvement made by cultivation from the earth itself upon which that improvement is made, the idea of landed property arose from that inseparable connection; but it is nevertheless true that it is the value of the improvement only, and not the earth itself, that is individual property. Every proprietör, therefore, of cultivated land owes to the community a ground-rent, for I know no better term to express the idea by, for the land which he holds.”

Paine's words relate only to cultivated land, but his principles are of general application. He added that cultivation has been one of the greatest blessings, but “ the landed monopoly that began with it . . . has dispossessed more than half the inhabitants of every nation of their natural inheritance.”<sup>1</sup>

### *Law of Rent*

These various proposals show the stages which had been attained before the nature of rent was analysed

<sup>1</sup> An American edition of Paine's *Agrarian Justice* was published at Philadelphia in or about 1800. As to later reprints of it, see Note E.

and before the law of rent received general assent about 1815. The recognition that economic rent represents the natural bonus which attaches to the more productive lands in consequence of the presence, industry, and demand of the people, shed a new light on the problem. It showed that the rent of the land (as distinguished from that of the improvements) is a particularly appropriate source of public revenue, and it prepared the way for many developments.

*James Mill*

Within a few years James Mill, in his *Elements of Political Economy* (1821), explained the law of rent, observing that to the person who applies labour and capital to the land "it is a matter of perfect indifference whether he pays the surplus, in the shape of rent, to an individual proprietor, or in that of revenue, to a government collector," and mentioned some historical cases in which the expenses of government were in fact defrayed from the rent of land. He then stated the case for the Single-tax in "a new country" in these words :

"If a body of people were to migrate into a new country, and land had not yet become private property, there would be this reason for considering the rent of land as a source peculiarly adapted to supply the exigencies of the government; that industry would not by that means sustain the smallest depression; and that the expense of the government would be defrayed without imposing any burden upon any individual. The owners of capital would enjoy its profits, the class of labourers would enjoy their wages, without any

deduction whatsoever ; and every man would employ his capital in the way which was really most advantageous, without receiving any inducement from the mischievous operation of a tax, to remove it from a channel in which it was more, to one in which it would be less productive to the nation. There is, therefore, a peculiar advantage in reserving the rent of land as a fund for supplying the exigencies of the State " (4, v).

In a country like our own, however, where land has been treated as private property "and the expectations of individuals have been adjusted to that order of things," Mill was opposed to the selecting of economic rent for special taxation, and favoured a continuance of the existing order of things in this respect, without discussing whether it was just or even expedient. The economic rent which he considered should be "exempt from any special tax" was "the present rent, or at most the present, with the reasonable prospect of improvement"; and he was quite prepared for the special taxation on any future increment beyond that amount.

#### *John Stuart Mill*

John Stuart Mill, his son, took up a similar position. In his *Principles of Political Economy*, published in 1848, he recognised that the principle of property in the products of industry "cannot apply to what is not the produce of labour, the raw material of the earth"; but showed that in some cases the productiveness of land may be almost or altogether "the effect of labour and art" (2, ii, 5). He sought a justification for treating land as private property in the need of enabling the cultivator



to reap the results of his industry and of securing the continuous development of the land :

“ These,” he says, “ are the reasons which form the justification, in an economical point of view, of property in land. It is seen that they are only valid, in so far as the proprietor of land is its improver. Whenever, in any country, the proprietor, generally speaking, ceases to be the improver, political economy has nothing to say in defence of landed property as there established. In no sound theory of private property was it ever contemplated that the proprietor of land should be merely a sinecurist quartered on it ” (2, ii, 6<sup>1</sup>).

Mill's reasons for private property in land were really reasons for the private possession of land on such terms as would enable the improver to reap the results of his industry and induce him to develop the land. Besides accepting the fundamental distinction between land and improvements, Mill added that in this country, though the landed proprietor is frequently an improver, “ it cannot be said that he is generally so ”; and in such cases there would seem, as Mill himself acknowledged, to be no defence for private landlordism. Yet in practice he drew no distinction between proprietors who had made improvements and proprietors who had not. He held, like his father, that the existing rent of land (though made up by a series of gradual increments since primitive times) should be “ held sacred from any peculiar taxa-

<sup>1</sup> This section also contains his views on compensation and some other points.

tion," but he saw "no objection to declaring that the future increment of rent should be liable to special taxation," being careful, however, to add that there would be no injustice to the landlords "if the present market-price of their land were secured to them; since that includes the present value of all future expectations" (5, ii, 5).

*Herbert Spencer*

A more virile treatment of the land question was exhibited in Herbert Spencer's *Social Statics*, published in 1851. Its full title was *Social Statics; or the Conditions Essential to Human Happiness specified, and the First of them Developed*. After some introductory chapters on the need of a guiding principle, he formulated that principle in "the law of equal freedom," that "every man has freedom to do all that he wills, provided he infringes not the equal freedom of any other man." He then applied it (chapter viii) to the rights to life and personal liberty. His next application of it was in chapter ix, where he began by showing that each man should be "free to use the earth for the satisfaction of his wants, provided he allows all others the same liberty." He then showed that the right to the use of the earth is one of the fundamental rights of man, that private appropriations of the common heritage never were and never can be morally defensible, that lapse of time cannot change a wrong into a right, that neither transfer nor purchase can generate a right which did not exist before, and that the making of improvements, though it gives a right to the improvements and any value attaching to them, cannot vitiate the common right to the land itself.

The principle of equal rights to the earth was the economic foundation of *Social Statics*. Spencer laid it down in chapter ix, and built upon it in subsequent chapters. Thus in chapter x (2) he treated a just land system as the "legitimate foundation" for the right of private property in what private industry obtains from the land; in chapter xxi (7) he held the civil power responsible for "that gigantic injustice inflicted upon nineteen-twentieths of the community by the usurpation of the soil"; and in chapter xxv (2) he said that the assertions of a man's right to maintenance and to have work provided for him are "unsuccessful efforts to express the fact" that "all men have equal rights to the use of the Earth."

*Patrick Edward Dove*

Patrick Edward Dove's *Science of Politics* appeared in two Parts: Part I, entitled *The Theory of Human Progression and Natural Probability of a Reign of Justice*, in 1850; and Part II, entitled *The Elements of Political Economy*, in 1854. In Part I he asserted that "the earth is the common property of the race" and that the products of labour belong to the producers, and protested against a system which treats certain people as if they were born heirs to the land and places the others under a corresponding disadvantage, making them pay rent to those who naturally have "not one particle of right to the soil more than they have themselves." He showed that "the division of the natural advantages of the earth" can be effected best "by the dividing of its annual value or rent; that is, by making the rent of the land the common property of the nation," and he

advocated "abolishing all other kinds of taxation whatever" (pp. 384, 377, 387). In Part II he showed that the adoption of this Single-tax policy would mean the abolition of customs and excise, so that "a perfectly free trade would tend to unite the various nations in the bond of amity," and he also spoke of the simplicity and cheapness of the policy, and of its beneficial effects in promoting production (pp. 323-30). His view of this reform in relation to general co-operative action may be illustrated by his statement :

"The allocation of the rents of the soil to the nation is the only possible means by which a just distribution of the created wealth can be effected. It is true, this is not the only requisite—for a systematic co-operation in the whole field of labour is also needful—but is the first main requisite, the first necessary arrangement of society which would prevent the profits of labour from escaping, as they now continually do, from the labourers to a class that labours not, yet constantly increases its wealth" (p. 326).<sup>1</sup>

#### *Edwin Burgess*

Edwin Burgess, who had emigrated from England and settled at Racine, Wisconsin, wrote a series of letters advocating the Single-tax, which were published in the *Racine Advocate* during 1859 and 1860. He maintained that the land which Nature had provided was "the natural heritage of all, for all time"; he proposed to secure the rent of it for all by way of taxation on its

<sup>1</sup> Some of Dove's other observations have been quoted on pp. 34, 43; see also Note F., "Henry George on Patrick Edward Dove."

value ; he was against all taxation of the products of industry ; and he showed the advantages that would follow " if all the taxes were on land, and none on improvements." His letters were in prose, interspersed with his own verses, and his treatment of the subject is characterised by breadth and enthusiasm. The Edwin Burgess Letters on Taxation are among the earliest—perhaps they are the earliest—Single-tax literature originating in the United States ; and they were reprinted at Racine in 1912 as a 32-page pamphlet, with a portrait and a short biography of their author.

*Sir John MacDonell*

Mr (afterwards Sir John) MacDonell wrote a book on *The Land Question*, which was published in 1873. After explaining the principles of rent, he said it was to be expected that from them " would have been unanimously and instantly deduced the conclusion that economical rent should not become the subject of private property, and that no private individual should be permitted to monopolise " it. Later on he says : " We vex the poor with indirect taxes, we squeeze the rich, we ransack heaven and earth to find some new impost, palatable or tolerable ; and all the time, these hardships going on, neglected or misapplied, there have lain at our feet a multitude of resources ample enough for all just common wants, growing as they grow, and so marked out that one may say they form Nature's budget." In the use of economic rent as Nature's budget he foresaw " the possibility of government, local and imperial, without taxation," and he contemplated it as " a splendid possibility, some dim similitude of which may one day be

realised, to the unspeakable benefit of society" (pp. 52, 58, 66-67).<sup>1</sup>

### *Henry George*

The modern movement may be said to date from Henry George's great work *Progress and Poverty*, first published at San Francisco in 1879. Henry George showed that progress, while greatly enriching the few, had ever been accompanied by the poverty of the many; that the great cause of this injustice was the treatment of land and its rent as private property and private income, instead of as common property and common revenue; and that the resulting impoverishment of the many is aggravated by the withholding of land from use and by the taxes on production and exchange, which narrow the natural opportunities, hinder the development of enterprise, and further depress the condition of the workers. His aim was to make the land common property by treating its rent as common revenue, and to abolish all taxes on production and exchange, both domestic and International. He proposed to begin by the taxation of land-value at a practicable rate, and afterwards to increase that tax till, as the Single-tax, it takes the place of all other taxes and absorbs the whole economic rent as public revenue. *Progress and Poverty* speaks for itself. Its breadth of sympathy, clarity of thought, and beauty of language are worthy of the great principles to which it gives expression. This book, with Henry George's provisions for the nationalisation of Land

<sup>1</sup> On p. 62, in a footnote, he mentions Her-  
 book, *Our Land and Land Policy*—a 48-page  
 at San Francisco in 1871—as a reference for  
 statistics. (900), p. 322.

works, made an epoch. They initiated a great movement, and gave a new direction and a fresh impulse to economic reform. For present purposes, they mark the stage at which we may turn from land-value literature to land-value legislation.

## CHAPTER XI

### GROWTH OF LAND-VALUE LEGISLATION

#### *New Zealand*

IN the year before the publication of *Progress and Poverty*, Sir George Grey's Land Tax Act of 1878 provided for the taxation of landed property in New Zealand on the basis of the selling value of the land apart from the improvements on it. The tax was at a very moderate rate, and Henry George expressed his approval of it, saying that Sir George Grey had "introduced the thin end of the wedge by carrying a measure for the imposition of a direct tax on the value of land, irrespective of improvements."<sup>1</sup> With a change of government, however, the Act was repealed in the following year by the Property Assessment Act, 1879, under which land and improvements were valued and taxed as a composite subject, though on the basis of capital value. The practice of valuing and taxing land separately from the improvements was afterwards re-introduced by the Land and Income Assessment Act, 1891, which has been the basis of subsequent legislation; and the present provisions as to valuation are contained in the Valuation of Land Act, 1908, and several amending Acts.

Local authorities were enabled to rate on a land-value

<sup>1</sup> *Life of Henry George*, by his Son (1900), p. 322.



basis by the Rating or Unimproved Value Act, 1896, and the provisions are now to be found in the Rating Act, 1908.<sup>1</sup> Rating is now on a land-value basis in about a hundred and thirty counties, districts and boroughs, including Wellington and Christchurch. Even where rating has remained on the basis of the annual value of the property as a whole, there is a provision that for rating purposes the annual value of the land shall in no case be less than 5 per cent. of the value of the fee-simple thereof.<sup>2</sup>

### *Australia*

In South Australia there has been State taxation of land-value since 1884; New South Wales began the system in 1895, Western Australia in 1907, Tasmania in 1909, Victoria in 1910, and Queensland in 1915. Besides these State Taxes, there has been an Australian Federal Tax on land-value since 1910. Most of these taxes, however, have their rates graded according to the amounts of land-value held by particular persons, and are subject to numerous exemptions and abatements, so that a considerable amount of land-value escapes taxation.<sup>3</sup>

Land-value rating was begun in Queensland in 1890, where land-value was subsequently made the general

<sup>1</sup> The exclusion from land-value rating of water, gas, and certain other rates by s. 103 of the Act of 1908 was repealed by the Act of 1911, No. 11, s. 2; see, however, the Act of 1913, No. 54, s. 8.

<sup>2</sup> See s. 2 of the 1908 Act. There are similar provisions in the various States of Australia, see p. 75. A recommendation along similar lines for this country has been mentioned on pp. 3, 4.

<sup>3</sup> As shown, for instance, in the evidence of the late Mr F. H. G. Cornwall of Melbourne before the Australian Royal Commission on Taxation; see *Land & Liberty*, August, 1921.

standard for rating in 1902 ; and there are provisions for the rating of land-value in several other States, including New South Wales, where the present provisions are consolidated in the Local Government Act, 1919. Sydney has a series of special Acts ; the Sydney Corporation Act, 1908, prepared the way for land-value rating there, and the Sydney Corporation Act, 1916, authorised the Sydney Corporation to base its local rating on the unimproved value of the land. The result is that in Sydney, with its population of slightly over 1,000,000, all local rates, except water and sewerage rates, are levied on land-value. Moreover, in all the Australian States (except Queensland, where all rates except those for the removal of garbage are on land-values) there is a proviso that, where rating is on the older annual value basis, the annual value shall in no case be less than a certain percentage of the selling value of the land.

#### *United States*

Some cities of the United States have been moving in the same direction. More than twenty years ago, New York City, Boston, and some other municipalities adopted the plan of valuing the land and the buildings separately ; which had the effect of securing true valuations of the land, though the land and the buildings were taxed together at the same rate. This system of separate valuations, besides securing the taxation of the land at its true value, has led to further developments. In Pittsburgh, for instance, under a Pennsylvania Act, No. 147 of 1913, improvements are taxed at a lower rate than the land. In New York City, under an enabling Act of New York State, No. 949 of 1920, new houses, if begun

before a certain date, are, subject to certain qualifications, exempted from taxation for a period of ten years.<sup>1</sup> It is important to remember that this exemption applies only to the buildings and not to the land on which they are, which continues to be taxed on its selling value. If the franking of the buildings were not accompanied by the taxation of the land-value, the landlords would be able to reap the benefits of the remission by holding up the land for higher prices.

### *Canada*

There have been somewhat similar developments in most of the Canadian Provinces. In Ontario the Assessment Act, 1904, provided for the separate valuation of land and buildings, with special exemption for buildings, plant, and machinery used in mining; and the Municipal Tax Exemption Act, 1920, s. 64, has given facilities for any city, town, township, or village to reduce the assessment on improvements generally by not less than 10 or more than 25 per cent. in each year, so that in a comparatively short period improvements can be relieved from taxation altogether, and taxation may be based on land-value alone.

In the Province of Manitoba the Assessment Act (*Revised Statutes of Manitoba*, 1913, vol. ii, pp. 1912-13, ch. 134) provided that lands in rural municipalities used for farming, stock-raising, and gardening should be

<sup>1</sup> The extensive building developments which followed the passing of this law were suspended on account of a decision, on 20th March 1923, that the law was unconstitutional. The Appellate Division of the New York Supreme Court, however, unanimously reversed this decision and declared that the law was constitutional, on 6th April 1923, as stated in *The Times* of the next day, which added that "building contracts in New York City involving tens of millions of dollars, which have been suspended, will be put in force at once."

assessed on the value on which the land would be assessed if unimproved, and that ordinary farm residences and buildings should be considered as improvements for farming purposes and should be exempt from assessment. This policy has now been developed by the Amending Act of 1921, c. 87, s. 6, which has a new and more elaborate provision of the same kind.

In the Province of Saskatchewan the local authorities of cities, towns, villages, and rural municipalities have the land valued apart from buildings, and the land is assessed on its full land-value, while the buildings are assessed only on a certain percentage of their value, which must not be more than 60 per cent. and may be considerably less (*Revised Statutes of Saskatchewan*, 1920, vol. ii, pp. 1260, 1428, 1544, 1637). In Prince Albert, for instance, improvements are assessed at 45 per cent. of their value, in Saskatoon at 35 per cent., and in Regina at 30 per cent.<sup>1</sup> There is also a tax on the unimproved value of what are known as "wild lands" (*ib.*, vol. i, p. 395).

In the Province of Alberta the Town Act, 1912, ss. 265, 267, and the Rural Municipalities Act, 1912, ss. 249, 252, as amended by various later Acts, provide for the rating of land on its real value apart from the value of buildings or various other improvements thereon. Two Acts of 1913, confirming the charters of Edmonton and Lethbridge, contain special provisions as to the rating of land-values and the exemption of buildings and other improvements from rating. There is also a special tax on the unimproved value of "wild lands" under the Wild Lands Taxation Act, 1914, as amended by subsequent legislation.

<sup>1</sup> Saskatchewan, *Department of Municipal Affairs Report for 1921-22.*

In the Province of British Columbia the separate valuation of land and improvements, and the system of differential rating, were introduced by the Municipal Act, 1892, which has been amended by the Municipal Amendment Act, 1919, s. 7. The land is rated on its value, but "the rates to be levied on improvements shall not be upon more and may . . . be upon less than 50 per cent. of the assessed value thereof, or improvements may be exempted altogether from taxation." In Vancouver improvements are rated on 50 per cent. of their value, in Victoria they are rated on  $33\frac{1}{3}$  per cent. of their value, and in New Westminster they are not rated at all.<sup>1</sup> In this Province, also, the limit to the rating of "wild lands" is higher than that to the rating of other properties.

### *South Africa*

In the Union of South Africa also the movement has made considerable progress. In the Cape of Good Hope Province the Valuation Ordinance, 1914, provided for the separate valuation of land, buildings, and beneficial improvements; the Municipal Ordinances, 1917 and 1918, gave the authorities the option of placing the whole or part of the rates on land-values; and now in East London buildings and beneficial improvements are subject to a rate which is one-sixth of that on the land, whilst in the neighbouring town of Cambridge buildings and improvements are exempted from rating altogether. In the Transvaal the Local Authorities Rating Ordinance, 1912, provided for the separate valuation of land and buildings; an amending Ordinance of 1916 provided that the rate on land-values should be at least *1d.* in

<sup>1</sup> British Columbia, *Inspector of Municipalities Report for 1922.*

the £ more than that on improvements, and gave the option of diminishing the rate on buildings and increasing the rate on the land ; with the result that in Pretoria and Standerton the rates on buildings are much lower than the rates on the land, whilst in Johannesburg, Krugersdorp, and Vereeniging, and several other towns, the buildings are exempted altogether, and all the rates are levied on land-value. In the Orange Free State the Local Government Ordinance, No. 4 of 1913, provided for the separate valuation of the land and the buildings, and the amending Ordinance, No. 12 of 1920, gave optional facilities for rating on the land only, or on the land plus such percentage of the improvements as may be decided. In Natal the Municipal Corporations Ordinance, No. 11 of 1911, provided for the separate valuation of land and buildings ; and in Durban the land and the buildings are now valued separately, and are charged at different rates, the rate on the capital value of land being 6*d.* in the £, and that on the capital value of buildings being 3*d.* in the £.

In Southern Rhodesia, which is not within the Union, the Municipal Law Amendment Ordinance, 1914, made provision for the separate valuation of land and improvements, and conferred on municipalities certain powers of rating, under which there is now differential rating in Salisbury and in Bulawayo, the rates on the land being relatively high and the rates on the improvements relatively low.

#### *Nigeria Protectorate*

The Land and Native Rights Proclamation of Northern Nigeria of 1909 (which, since the Union of Northern and

Southern Nigeria under the same Protectorate, has been re-enacted as the Nigeria Land and Native Rights Ordinance, 1916, Relating to the Northern Provinces of the Protectorate) declared the rights of the natives to the land, vested all "Native lands" in the Governor for their common use and benefit, and provided for the granting of lands by the Governor to natives and non-natives on continuous tenure at rents which are to be revised periodically, with a provision that, in the fixing and revision of the rents, regard shall be had to the value of the land, but that no account shall be taken of improvements. It was followed by the Nigeria Crown Lands Ordinance, 1918, which relates to all Crown lands in Nigeria except those that are subject to the Ordinance of 1916, and provides for the leasing of Crown lands—or "Native lands"—on certain conditions for terms of any duration, at rents which are to be revised at stated periods, with a corresponding provision that "in revising the rent no improvements made by the lessee on the land shall be taken into account."

### *Kenya Protectorate*

In the Kenya Protectorate (formerly known as the East Africa Protectorate) the Crown Lands Ordinance, 1915, based on the principle that the Crown Lands are held in trust for the people, authorised the Government to let considerable amounts of them on leases for 999 years, at rents which are public revenue, based on percentages increasing to a maximum of 3 per cent. of the capital unimproved value, subject to revision every thirty years,<sup>1</sup>

<sup>1</sup> These intervals are far too long. The valuations get out of touch with the values, the changes when made have to be more or

with the proviso that in the ascertainment of the value for those purposes no account shall be taken of the value of improvements made or done on the land. It has now been followed by the Nairobi (Rating of Unimproved Site Value) Ordinance, 1921, which provides for land-value rating in Nairobi, the capital of the Protectorate.

### *Tanganyika Territory*

A somewhat similar policy has been applied in the newly-acquired Tanganyika Territory by the Land Ordinance, 1923, which begins with a reference to the expediency of preserving the customary rights of the natives to the land and its natural fruits, so that they may obtain sustenance for themselves and their families. After making some provision for titles which are proved to the satisfaction of the Governor within a certain time, it declares the other lands to be held by the Governor for the use and benefit of the natives, and contains special provisions for the grant of rights of occupancy to natives and non-natives for terms of not more than ninety-nine years, at what may be called auction-rents subject to a reserve fixed by the Governor, with revision of the rents at intervals of not more than thirty-three years,<sup>1</sup> and a proviso that, in fixing the rent whether original or revised, no account shall be taken of any value due to the expenditure of capital on the land. It is also provided that a right of occupancy shall not confer any water rights or

less violent, and increases in the land-value are appropriated by private interests over long periods; see *Land & Liberty*, Dec. 1923, p. 288. The advantages of quinquennial valuations are mentioned on p. 93. Where it is not practicable to revise the valuations every five years, they might be revised every seven, or at the most every ten years.

<sup>1</sup> See above footnote.



rights over the foreshore, unless expressly mentioned, or any rights to mines, minerals, or mineral oil.

### *Federated Malay States*

The Federated Malay States have also moved in the same direction. The Valuation of Land Enactment, No. 21 of 1922, provides, among other things, for the valuation of the improved and also of the unimproved value of land (s. 12), and prepares the way for rating on the unimproved value. As was explained in the *Malay Weekly Mail*, it "will enable the Boards to adopt site value rating instead of the present rent value rating," thus placing the rates on the land-values and exempting the improvements. The Enactment is on much the same lines as the Valuation Acts of New Zealand and New South Wales, with modifications for local circumstances. It contains certain references to clearances of jungle and to anti-malarial drainage in relation to land-value valuations, which help us to visualise the application of the system to tropical lands in the Far East.

### *Denmark*

Nearer home, attention may be drawn to what has been done in Denmark. The former practice there was to value each property as a single subject on its capital value, without distinguishing between the land and the improvements. The legislature, however, provided for the land also being valued separately on the basis of its capital value; and valuations of capital land-value have already been made throughout Denmark and are now being revised. Under the Law No. 352 of 7th August 1922, the capital land-values are, as from the beginning

of 1924, to be subject to a tax of 0.15 per cent. (equivalent to about one-third of 1*d.* in the £ of capital land-value or about 8*d.* in the £ of 4 per cent. of it), which is co-ordinated with the previous taxation of landed property, so that the general result is to increase the taxation of land-values and to diminish that upon improvements. Thus the principles of reform have now been applied throughout Denmark; and, though the first step is small, it may lead, as in other places, to further developments in both national and local taxation.<sup>1</sup>

#### *United Kingdom*

This country has yet to make a start with anything deserving the name of land-value legislation. We can see some recognition of the undesirability of taxing improvements in the exemption from Inhabited House Duty of houses of less value than £20 a year; in the slight increases of the meagre deductions from Income Tax in respect of repairs to cottages, etc.; and in the exemption of unfixed machinery from rating in Scotland.<sup>2</sup> Steps have also been taken to encourage the building and working of light railways, and of several other railways, by provisions that for a term of years the railway "shall not be assessed to any local rate at a higher value than that at which the land occupied by the railway would

<sup>1</sup> For more detailed information as to Denmark, see *Land & Liberty*, September 1922. The Danish provisions regarding certain improvements are mentioned on pp. 93, 136. Further information as to Denmark, and also regarding the legislative progress of the land-value movement in Sweden, in Norway, in some cities of Germany and Austria, and in certain places in South America, may be found in papers read at the International Conference on the Taxation of Land-values at Oxford, and printed in *Land & Liberty* for October and November 1923.

<sup>2</sup> See Note B., "Unrating of Machinery."

have been assessed if it had remained in " its previous condition.<sup>1</sup> But the general application of land-value policy still remains to be made.

A series of Bills for the rating of land-values were introduced into the House of Commons by private members, the most successful being the Land Values Taxation, etc. (Scotland) Bill, 1906, which passed its second reading with a majority of 253, and was committed to a select committee, who subsequently issued a comprehensive report, and recommended the introduction of a measure dealing with valuation only, by providing for a valuation being made of land in the burghs and counties of Scotland apart from the buildings and other improvements on it. In accordance with this recommendation, the Government introduced the Land Values (Scotland) Bill, 1907, which was defeated in the House of Lords, and was also defeated when it was sent there again in 1908.

The next year saw the introduction of the Finance Bill of 1909, containing what were called the " Duties on Land Values " ; it was rejected by the House of Lords ; but, after the general election that followed, was passed into law in 1910. These Duties were (1) the Increment Value Duty, (2) the Reversion Duty, (3) the Undeveloped Land Duty, and (4) the Mineral Rights Duty. They did not deserve the name of Duties on Land Values, and were unworthy substitutes for the real reform.<sup>2</sup> Besides their fundamental defects,

<sup>1</sup> See the Light Railways Act, 1896, c. 48, s. 5 (1) (-) ; the West Highland Railway Guarantee Act, 1896, c. 52, s. 2 ; the Collooney, etc., Railways and Piers Act, 1897, c. cxxiv, s. 65 ; and the North British Railway (Lavergherry, etc., Railway Vesting) Order Confirmation Act, 1914, c. cxciii, s. 21.

<sup>2</sup> As is now admitted by the Party that brought them in. At

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they were complex in character and necessitated complicated valuations. With the exception of the Mineral Rights Duty, which is in the nature of a tax on mining royalties based on the actual output, these duties were repealed by the Finance Act, 1920. This repeal has cleared the ground for a simple and direct tax on land-values, which may be arranged along the lines indicated in the following chapters.

the General Election of 1922, the Liberal Publication Department issued a Leaflet (No. 2611) on the Taxation of Land-values, in which it was stated that "the system of rating and taxing land-values has never yet been tried in this country," and that "what are called the 'Land-values Duties' of the Budget of 1909 . . . were well meant, and they may have been sound for other purposes. But they were not Land-values Taxes."

## CHAPTER XII

### DEFINITIONS AND VALUATIONS

#### *Constructive Work*

LAND-VALUE policy is a policy of construction and necessitates constructive work. In order to apply it, we shall require to frame definitions, and to consider the nature of the valuations and the method of collection that should be adopted for obtaining prompt payments and ensuring the proper incidence of the charge in each case. We have, moreover, to plan a scheme which will operate satisfactorily through what is probably the most complicated land system in the world, and which will react in simplifying that system.

#### *Capital or Annual Basis?*

At the outset we have to define what we mean by the expression "land-value," and incidentally to decide whether we intend to define it on the basis of capital value or on the basis of annual value; in other words, whether we propose to base it on the price for which the land could be sold, or on the annual rent for which it could be let, at the time of valuation.

#### *Capital Land-value*

Capital or selling value has been taken as the basis of valuation in almost all the countries where the land-value

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policy has been applied, and it was the basis of the valuations for the (now-repealed) land taxes of the Finance (1909-10) Act, 1910. For the purposes of a land-value tax along the lines that are suggested here, the definition of capital land-value might be as follows :

“The expression ‘capital land-value’ of land means the amount which the fee-simple of the land, irrespective of any improvements on it, might be expected to realise if sold at the time of valuation in the open market by a willing seller, free from incumbrances and from any burden, charge, or restriction.”<sup>1</sup>

This definition is founded on that of “full site value” in s. 25 of the Finance (1909-10) Act, 1910, the most important difference being that it is so framed as to include the mineral rights, except in those cases where the mineral rights have been severed from the fee-simple and would be valued in the ordinary course as separate subjects. The expression “improvements” is defined later on.

### *Advantage and Disadvantage*

Capital land-value is the best basis for beginning the new system ; but as the system is developed difficulties may arise, because the capital land-value, or selling value of the land, includes only that part of the land-value which is in private hands and passes with the sale, and does not include that part of the land-value which is

<sup>1</sup> In both this definition and those that follow it, the words “burden, charge, or restriction” are not intended to include any tax or rate on the present system, or any restriction imposed by operation of law.

absorbed by the rates and taxes. Thus, if the rates and taxes on the land-value were to absorb a quarter of what would be the selling value of the land if there were no rates or taxes, the selling value would be reduced by about a quarter ; if they were to absorb half, the selling value would be reduced by about half ; if they were to absorb three-quarters, the selling value would be reduced by about three-quarters ; and if they were to absorb the whole, the selling value would practically disappear.<sup>1</sup> This difficulty has already made itself felt in Johannesburg, where, to quote from *Land & Liberty*, April 1922, at p. 262 :

“ The increasing tax has diminished the selling value of land, so contracting the basis on which the tax is levied. This experience shows (what we have often pointed out) that when the taxation of land-values gets under way, it will be necessary to adopt an assessment which represents the whole amount of the land value and not merely that portion which is left for private appropriation after taxation is paid.”

But the question of how to do so is not as easily answered. To tax on the selling value of the land plus a capitalisation of the tax on it (as is sometimes suggested) would look like taxing the proprietor on both the value that he has and the tax that he pays, and it would also be open to the objection that the tax itself is assessed on the reduced valuation.

<sup>1</sup> This result of complete absorption was stated in similar terms by Henry George in *Protection or Free Trade*, ch. xxvi ; see also *Progress and Poverty*, 8, ii.

*Annual Land-value*

The way to prevent rates and taxes on land-value from reacting on the land-value valuations is to base the valuations on annual land-value, by which is meant the best annual rent that could reasonably be obtained for the land, irrespective of any improvements on it, if it were leased for the longest possible term with full freedom of use, on the assumption that all rates and taxes on the land-value would be payable by the lessor.<sup>1</sup> For annual value, as thus ascertained, the following definition may be suggested :

“ The expression ‘ annual land-value ’ of land means the annual rent which the sum-total of the rights that attach to the fee-simple of the land, irrespective of any improvements thereon, might be expected to realise, if leased at the time of valuation in the open market by a willing lessor, assuming it to be leased in perpetuity or for a period equivalent to perpetuity, free from incumbrances and from any burden, charge, or restriction, and that any tax or rate imposed specifically on the land-value would be payable by the receiver of the rent.”

Annual land-value, ascertained along such lines as these, will probably be found to be the more convenient standard ultimately ; but it can hardly be considered practicable until the working of the land-value tax has

<sup>1</sup> In *Our Land and Land Policy* (1871), at p. 38, Henry George observed that a tax on land-value, though it would reduce the selling price of the land, would not reduce the renting price ; but that a portion of the rent would be passed on by the landlord to the State.



promoted continuity of tenure, as described in Chapter V, and has made tenancies of the character contemplated in the definition more familiar than they are now. Under the system of proportional contribution, in any lease where the annual rent is equal to or greater than the annual land-value, the land-value tax would be incident on the lessor, as in the definition. The definition contemplates an unrestricted disposition of the land, subject only to the payment of the annual rent.<sup>1</sup>

#### *Annual Land-value in Scotland*

For Scotland, where the feuing of land in perpetuity, subject to the payment of an annual feu-duty, is a familiar form of conveyance, the definition might be as follows :

“ The expression ‘ annual land-value ’ of land means the annual feu-duty which the land, irrespective of any improvements thereon, might be expected to realise, if feued at the time of valuation by a willing disponent, assuming it to be feued free from incumbrances and from any burden, charge, or restriction, and that any tax or rate imposed specifically on the land-value would be payable by the receiver of the feu-duty.”

This definition also contemplates an unrestricted disposition of the land, subject only to the payment of the annual feu-duty.

<sup>1</sup> In both these definitions the expression “ fee-simple ” is intended to denote what is called in the Law of Property Act, 1922 (see Note N.), “ an estate in fee simple absolute in possession,” and includes all the rights that attach to the fee-simple.

the Revenue Bill, 1914, regard being also had to some of the definitions of land-value under the name of "unimproved value of land" or other names, in some of the Dominions.<sup>1</sup>

*Procedure as regards Improvements*

In the case of each property the land-value would be ascertained as if all the improvements under sub-heads (a) and (b) were non-existent or exhausted, so that these improvements, all of which are different in kind from land, would not be included in the valuation at all. The land-value having been thus ascertained, allowance should be made in respect of any part of it which is shown to be attributable to improvements under sub-heads (c) and (d). But any allowance in respect of improvements under either of these heads should be subject to the following qualifications :

(1) The person claiming the allowance should be required to bring evidence in support of his claim :

(2) If he does not claim the allowance at the first valuation at which it is claimable, he should not be permitted to claim it at any subsequent valuation ;

(3) No allowance should be made except in so far as it is shown that the improvements in respect of which it is claimed have been made or maintained by the claimant or his predecessor in title ; and

(4) The land-value should in no case be reduced below what it would be if the improvement were non-existent or exhausted.

<sup>1</sup> A number of these definitions are set out in the paper on "Definitions of Land-value in the Dominions" in the present writer's pamphlet, *Notes on Land-value Legislation in the Dominions* (1918).

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The first two of these qualifications are founded on those in Denmark (see Chapter XI), and the third is based on that in the Federated Malay States (also mentioned in Chapter XI). All four are designed to protect the public interest.

### *Making and Revision of Valuations*

The land-value valuations throughout the country should be made by the Land Valuation Department of the Commissioners of Inland Revenue, so as to secure competent valuations on a uniform system, independent of local influences. The data already obtained under the Finance (1909-10) Act, 1910, particularly those relating to "full site values," have prepared the way for the valuations of land-value here proposed.<sup>1</sup> After these valuations have been made, they should be revised every five years. The long experience of London has shown the convenience of quinquennial valuations, which were also proposed for England and Wales generally in the draft Valuation and Rating Bill of 1923. The valuations would thus be kept in touch with the values, the changes would be gradual, and the community would participate in any increase of land-value as soon as practicable. There would, of course, be suitable provision for appeals.

<sup>1</sup> One of the first steps that should be taken is to re-enact the provisions of section 4 of the Finance (1909-10) Act, 1910, which were repealed by s. 27 of the Finance Act, 1923. As Mr Austen Chamberlain said in the House of Commons on 27th July 1922 (125 *H. C. Debates*, 229), the information obtained under these provisions "has proved to be of the greatest assistance to the Valuation Department for all valuation purposes, providing as it does an exhaustive and progressive indication of the movements of values in the property market."

*Three Points in Land-value Valuations*

Mention may also be made of three points in the proposed valuations :

(1) Each portion of land in separate occupation should be valued as a separate property.

(2) The land-value of each property should be ascertained on the assumption that other properties, as well as roads, railways, tramways, drains, mains for water, gas and electricity, and the like, are in their existing condition at the time of valuation.

(3) A special valuation of improvements is unnecessary ; it would more than double the work of the valuers, and would serve no useful purpose, as one of the objects of the reform is to relieve improvements from taxation and rating. In so far as the taxation or rating of improvements is continued, it can be continued on the present system.

*Apportioning the Land-value of Undivided Land*

Where it is necessary to apportion the land-value of undivided land between separate tenements in a house built upon it, each tenement should be deemed to participate in the land-value in the proportion that its rateable value bears to the aggregate of the rateable values of all the tenements. This rule has been applied to these cases in New Zealand by the Rating Act, 1908, No. 163, s. 66, and also in various states of Australia, as, for instance, in Victoria by the Rating of Unimproved Values Act, 1920, No. 3060, s. 4 (2).<sup>1</sup> But in the great majority

<sup>1</sup> In England there is a similar rule for apportioning any tithe-rentcharge on a property between the portions into which it may

of cases, such tenements are let at inclusive rents, so that the rates and taxes on land-value, like the rates and taxes on the present valuations, would be collected directly from the landlord and there would be no need of apportionment. The cases in which apportionment might be required would be tenements of this character where these conditions do not obtain, and particularly the feued tenements of this character which are to be found in various parts of Scotland ; but even in some of these cases, where the aggregate of the annual rents or feu-duties are more than the annual land-value, arrangements might be made for collecting the land-value tax directly from the landlord or superior.

#### *Exemptions and Abatements*

The system of valuation should be made general by extending the valuations to all lands, except public parks and such other open spaces as are subjects of common use by the people ; and the lands that are near them should, of course, be valued in view of the continuance of these amenities. The valuations should be general, whatever exemptions or abatements may be made in rating and taxing upon them. In the case of open spaces, like some town squares, which are kept in private hands for private use, but to some extent benefit the public, abatements might be made, on condition that the land continues to remain as an open space, but that if it is put to any other use, the amounts that have been remitted during, say, the preceding ten years, should at once

be divided ; see the Tithe Act, 1891, s. 2 (1). The treatment of other kinds of undivided shares in land will be greatly facilitated by ss. 1 (4), 10, and Schedule 3 of the Law of Property Act, 1922.

become payable and should attach as a first charge on the land. For other lands there is much to be said in favour of having no exemptions; and of rating even land occupied by municipal buildings, which would be done by cross-entries in the books, and would show accounts in the proper way. It would, however, facilitate the introduction of the system if practically all the present exemptions were continued, subject to the general application of the rule that if the land were used otherwise than in the way for which the remission was granted, the amounts remitted during the preceding ten years should at once become payable and should attach as described. This rule would be sufficient to prevent abuse of the exemptions.

#### *Access to Valuations*

The new valuations should be accessible to the public on reasonable terms, and copies of the new valuation lists for any particular districts should be obtainable on payment of a reasonable fee. There should also be facilities for obtaining information whether the charges on the land-value of any particular property have been paid up to date, and, if not, up to what date they have been paid, for reasons that will appear in the next chapter.

## CHAPTER XIII

### METHOD OF COLLECTION

#### *Guiding Principle*

FROM considering definitions and methods of valuation we may now pass to the question of how the land-value tax should be collected, and how payment should be secured. The key to securing payment is to be found in treating the tax as a national land-rent payable to the Crown,<sup>1</sup> and authorising the Crown to resume the land if that rent is not paid.<sup>2</sup>

#### *Collection of Land-value Tax*

In the case of each property, the application for the national tax on its land-value should be made at the same time, on the same form, and to the same

<sup>1</sup> Here and elsewhere this expression "the Crown" is used to denote the Crown as representing the community. In the United States the name generally used for this purpose is "the People."

<sup>2</sup> Precedents for thus treating the tax as a first charge on the land (see p. 6) may be found in the New Zealand Act, 1908, No. 95, s. 99; in the Australia Commonwealth Act, 1910, No. 22, s. 56; in the New South Wales Act, 1919, No. 41, s. 152; and in s. 26 of the Nairobi Ordinance, 1921 (see p. 81). Precedents for preventing the application of any Statute of Limitations may be found in s. 54 of the Australian and in s. 100 of the New Zealand Act.

person—generally the occupier,<sup>1</sup> but in some cases his immediate landlord—as the present applications for Income Tax under Schedule A, for Inhabited House Duty, and for the old Land Tax. Whether it should be payable each year in one instalment, like the two latter taxes, or in two instalments as is now the case with Income Tax under Schedule A, would probably depend on its amount.

### *Deduction of Proportional Contribution*

Where the person to whom application has been made pays the Land-value Tax, he should be entitled—on the principles of proportional contribution described in the next chapter—to deduct the tax or a proportion of it from the rent that he pays to his landlord (if any); that landlord on allowing the deduction, should have corresponding rights of deduction from the rent that he pays to his landlord (if any); and so on, until the highest rent-receiver is reached.<sup>2</sup> We have for long been familiar with a somewhat similar system of deductions in respect of Income Tax under Schedule A, commonly called the Landlords' Property Tax; and, as with that tax, there should be a penalty on any refusal to allow the deduction

<sup>1</sup> For this purpose the expression "occupier" should include "in the case of unoccupied land, the person entitled to the occupation thereof"; to quote from the Schedule to the Corn Production Act (Repeal) Act, 1921, which, in imposing the duty of destroying noxious weeds on the occupier, interprets "occupier" in this way. See also pp. 5, 6.

<sup>2</sup> An alternative plan of collecting the tax from the person who has the highest interest in the land, with proportional contribution in the descending order of interests, which may be practicable when the working of the tax has been supplemental by general registration of titles, is outlined in Note O.



and a prohibition of contracting-out.<sup>1</sup> The meaning of the phrases "landlord," "tenant," and "rent," will be considered in the next chapter.

#### *Provisions in Case of Non-payment*

The Land-value Tax, as already said, should be treated as a first charge on the land; from the time when any payment becomes due, it should, if still unpaid, be deemed to accumulate in favour of the Crown at compound interest at, say, 5 per cent. per annum, apportionable for any less period as *1d.* on every £1 or fraction of £1 for every month or fraction of a month; if full payment is not made within, say, one year, the Crown should be authorised to enter on and hold the land as against all parties until full payment is made; and if full payment is not made within, say, five years, the Crown should be entitled to resume the land absolutely, to the extinction of all previously existing interests.<sup>2</sup> This simple method of enforcing payment is based on treating the tax as a national land-rent and enabling the Crown, as super-landlord, to resume the land if the rent is not paid, though allowing a far longer period of grace than any private landlord would ever allow. In practice, it would secure prompt payments, reduce the cost of collection to a minimum, and avoid the risk of bad debts.

<sup>1</sup> As in the Income Tax Act, 1918, Schedule A, No. 8, Rule 1, and All Schedules Rules, Rule 23. As to proportional deductions under Schedule A, see p. 102.

<sup>2</sup> A somewhat similar system has been in force for twenty years in Queensland, under the Local Authorities Act, 1902, No. 11, ss. 238-250.

*Safeguarding of Various Interests*

This system would, of course, have to be accompanied by provisions enabling the holder of any interest, which might be prejudiced by the continued non-payment of the tax by the person who ought to pay it, to pay the tax himself, his right to recoupment being safeguarded along the following lines :

(1) If the landlord, to protect his interest, pays the tax which should have been paid by the tenant but which the tenant has failed to pay, he should be entitled to terminate the lease, and also to recover from the tenant such part (if any) of the tax which, if it had been paid by the tenant, would not have been deductible from the rent.

(2) If the tenant, to protect his interest, pays the tax which should have been paid by the landlord but which the landlord has failed to pay, he should be entitled to hold the land as against the landlord or any superior landlord until he has received full repayment (whether by deduction from rent or otherwise) of the amount so paid, with the interest thereon ; and until such full repayment has been made, neither the landlord nor any superior landlord should be entitled to assert any claim against him in respect of the land or rent, either during the currency or after the expiration of his lease.

(3) In case of the holders of different interests in a property competing to pay the tax which has not been paid by the person who should have paid it, preference should be given to the holder of the lower title, who can then deduct the proportional contribution, so that the rights in respect of these different interests may both be preserved.

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(4) Where, in consequence of the delay or failure of the person who should have paid the tax to pay it, interest attaches to the tax, the amount of such interest should be added to the amount recoverable from him, whether by deduction from rent or otherwise ; but, except in such cases and as regards such persons, the interest should not be added to the tax for the purposes of proportional contribution.

## CHAPTER XIV

### PROPORTIONAL CONTRIBUTION

#### *The General Rule*

THE principle of proportional contribution is that the Land-value Tax on each property should be contributed by the persons interested in that property in the same proportions as they participate in its land-value. For this purpose any annual rent paid for the property should be deemed to be rent for the land, in so far as it does not exceed the annual land-value, and any part of the rent that exceeds the annual land-value should be deemed to be rent for the improvements. Thus, if the annual rent is equal to or greater than the annual land-value, the tenant on paying the land-value tax should be entitled to deduct the whole of it from his rent; and if it is less, he should be entitled to deduct a proportion corresponding to the proportion of the annual land-value which is covered by the annual rent.<sup>1</sup>

<sup>1</sup> Proportional contribution has been in operation for many years in Income Tax under Schedule A (Landlord's Property Tax); see Rule 19 of the All Schedules Rules in the Income Tax Act, 1918. In the case of *London County Council v. Attorney-General*, 1901, A.C. 26 at p. 39, Lord Macnaghten described the corresponding provisions of the 1842 Act as charging the duty on the person from whom it is to be collected, and authorising him "to deduct a proportional part of the duty when he comes to make the annual payment for which he is liable."

*Meaning of "Annual Land-value"*

From these adjustments we may revert to the consideration of the general rule of proportional contribution. The expression "annual land-value" claims attention first. It is used to denote :—

(1) As from the beginning of the system and so long as the valuations are based on the capital or selling value of the land (see p. 87), 4 per cent. of that capital or selling value ; and

(2) As from the time when the valuations are based directly on the annual value of the land (see pp. 89, 90), that annual value.

*Detrimental Value of Restrictions*

Where the lease contains restrictions on the use of the land by the tenant, or imposes on him any onerous obligation, or any premium, fine, royalty, or other consideration for the tenancy, this annual detrimental value<sup>1</sup> should be treated as a supplementary rent for the purposes of proportional contribution. The annual amount of it should be settled by agreement between the parties ; or, failing such agreement, by the Commissioners of Inland

<sup>1</sup>The term "detrimental value" is used in the proportional contribution provisions of the New South Wales Valuation of Land Act, No. 2 of 1916, s. 23 ; see also the New Zealand Valuation of Land Act, No. 203 of 1908, s. 39, as amended by the Act No. 26 of 1920, s. 14 ; and the Federated Malay States Valuation of Lands Enactment, No. 21 of 1922, ss. 18, 19. In these Acts, however, the scheme is more complicated, because it allocates the capital land-value of the land as between the selling values of the various interests in it, and necessitates valuations of the present values of prospective reversions.



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chief rent, rent of assize, or any other perpetual rent or annuity granted out of the land ; and

(c) Any feu-duty, ground-annual, or teinds ;

and the expressions " landlord " and " tenant " should include the receiver and the payer of such rent, respectively.<sup>1</sup>

#### *Mortgages, etc.*

The expression " rent " should not include a rent-charge imposed on land for the purposes of securing the repayment of advances made for the improvement of such land under the Improvement of Land Acts, 1854 and 1899, nor should it include interest under a mortgage.<sup>2</sup> The mortgagee, however, or the authority entitled to the rentcharge, would, of course, be permitted to pay the tax in order to protect his rights, if the person who should have paid it has failed to do so.<sup>3</sup> In future mortgages, the mortgagee would naturally include the non-payment of the tax by the mortgagor as one of the circumstances authorising foreclosure. The various simplifications effected by Part I of the Law of Property Act, 1922, will greatly facilitate the treatment of mortgages and of various

<sup>1</sup> This definition of " rent " is based on the definitions of " rent " and " rentcharge " in the Conveyancing Act, 1881, s. 2, and the Finance Act, 1909-10, ss. 41, 42, except that (c) includes teinds, which are the Scottish equivalents of tithe and tithe-rentcharge.

<sup>2</sup> In the application of the system to Scotland the expression " mortgage " would include a bond on heritable security, and the expression " mortgagee " would include the holder of such a bond.

<sup>3</sup> See pp. 100-101. The New Zealand Rating Act, 1908, No. 163, s. 65, has certain provisions for recovering the rates from the mortgagee where the mortgagor has failed to pay them, and authorises the mortgagee to recoup himself either by action against the mortgagor or by adding the amount so paid to the principal money secured by the mortgage, and charging it with interest accordingly.

other interests, such as those of joint-tenants and tenants in common. Indeed, apart from these provisions, the case of tenancies in common would have been particularly difficult, as may be seen from what is said as to the complicated character of such tenancies by Sir Arthur Underhill, at pp. 99-100 of his book on that Act of 1922.



but the reductions made by the Finance Act, 1923, will reduce its annual yield to about £1,500,000.

#### *Stamp Duties on Transfers of Landed Properties.*

The Stamp Duties on the transfers of landed properties should also be considerably reduced. These Duties operate as penalties on the transfer of landed properties from those who have them to those who want them and would presumably use them to better advantage. The estimated yield of these Duties in the financial year 1922-23 was about £3,650,000, of which about £200,000 was charged on mortgages, about £250,000 on leases, and the remainder of about £3,200,000 on conveyances by sale and voluntary disposition.<sup>1</sup>

#### *Income Tax under Schedule A*

Income Tax under Schedule A, commonly called Landlord's Property Tax, operates as a heavy penalty on the building of houses and the making of other improvements, and ought to be superseded as soon as possible by Land-value Taxation. The annual yield of Schedule A in Great Britain is rather more than £30,000,000 a year; whilst the annual yield of the Income Tax under the other Schedules, together with the Super-tax, amounts to more than £300,000,000 a year.

#### *The Old Land Tax*

The remaining tax for which application is made on the form mentioned on p. 97 is the old Land Tax, which still applies in Great Britain alone, and only in so far as

<sup>1</sup> 164 *H. C. Debates*, 277, 15th May 1923.

it has not been extinguished by redemption or otherwise. It is based on an antiquated system of quotas from the various parishes ; the aggregate of these quotas, which was fixed in the year 1798 at £1,905,077, has now been reduced by redemptions and otherwise to about £908,000 a year, and the net yield of this tax is now only about £620,000 a year. This tax is complicated ; its yield is small ; and the fact that it has been redeemed in a great number of cases makes uniform treatment impossible. On the whole, therefore, it seems better to leave this tax as it is, and to provide for the compulsory redemption of as much of it as is still outstanding. The peculiar character of this Land Tax is illustrated by the fact that in the Law of Property Act, 1922, it is included among the " legal estates " in land (see Note N.).

#### *Transference of Rating to Land-values*

The valuations for rating are much the same as those for Schedule A of the Income Tax,<sup>1</sup> and the present rating system operates as a hostile tariff—and a hostile tariff which has been greatly increased in the last few years—on the building of houses, and on industrial enterprise generally. The national valuation of land-values throughout the country would prepare the way for the transference in each locality of local rating from the present valuations to the new valuations, so as to

<sup>1</sup> In answer to a question in the House of Commons on 3rd December 1908, Mr Lloyd George, then Chancellor of the Exchequer, stated that " In England and Wales (excluding the Metropolis) the aggregate values for Schedule A are about 10 per cent. in excess of the values for local rating purposes ; in the Metropolis and in Scotland and Ireland, the valuations for either purpose are practically identical " (*Parliamentary Debates*, 4th series, vol. 197, p. 1654).

remove, as far as possible, the penalties which the present rating system places on the making of buildings and other improvements, and to concentrate rating on land-values.

### *Allocation of Land-value Rating*

Any land-value rates on a property should be allocated between the parties—like the land-value tax—on the principles of proportional contribution. Where, however, land-value rating is accompanied by a reduction of any rates previously incident on the tenant, there should be some corresponding adjustment. Probably the best plan would be to provide that, in such case, the landlord's proportional contribution to the land-value rates, which the tenant is entitled to deduct from his rent, should be reduced by an amount equal to the amount by which the rates incident on the tenant for the particular year have been reduced, as compared with what they were in the year before the introduction of land-value rating.<sup>1</sup>

### *Substitution for other Taxes*

When the Land-value Tax is in working order, there will doubtless be many other proposals for substituting an increase of that tax for the present Duties on tea and sugar, and the various other breakfast-table Duties in the order of their demerit, beginning with the worst. In any general scheme for substituting charges on land-values for any of the present rates and taxes, we must, of

<sup>1</sup> This adjustment is founded on the same general principles as the adjustments that were made by the Scottish and Irish Local Government Acts, when certain rates which had previously been payable by owners were transferred to occupiers; see p. 132.

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course, remember that the amount of the land-values, though large, is not unlimited; and that regard should be had, not only to the fiscal side of the reform, but also to the economic advantages of making land available for use on fair terms, and of untaxing and unrating houses and other improvements as far as we can.

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## CHAPTER XVI

### TOWARDS INTERNATIONALISM

#### *National and International*

THE aim of Land-value Policy is that in every country the land which Nature has provided should be treated as the property of the people; that where it is in private hands its rent should be treated as their common revenue; that there should be no taxes on production; and that there should be no taxes on either internal or International trade. The further this policy is developed in various countries, the more closely shall we approach the larger ideal of regarding the earth as the heritage of the children of men, and its rent as their common revenue; of giving free scope to production and exchange throughout the world; and of considering political frontiers as administrative boundaries, to be retained or readjusted by mutual consent as the special circumstances may require. The policy is so simple that a child can understand it, and yet so far-reaching that it would lay the economic foundations for human well-being and human brotherhood throughout the world.

#### *Practical Considerations*

the ac-  
Government  
practice, of course, each nation has to legislate for  
payable by ow-  
territory, and we may therefore consider what

International advantages would be promoted by action on a national basis. In this country, for instance, the immediate objective is to reform the present system of taxing and rating landed properties by taxing and rating those who hold the land according to the true market value of the land that they hold, whether they are using it or not, and by untaxing and unrating houses and all other improvements. To do so would make the land available for use on fair terms, and would give free scope to its development. Thus, in a double degree, it would promote production, open up new opportunities of livelihood, remove important causes of poverty and unrest, and promote prosperity and contentment here. In any other country, also, the application of a similar policy would have similar advantages. These advantages, moreover, have an important International bearing, because discontented people are dangerous neighbours, and unrest at home is apt to find expression in animosity abroad; whilst the growth of prosperity and contentment in each country would itself promote International friendship and goodwill.

#### *True Free Trade*

The policy would have additional advantages also; because, as a further development in each country, the securing of the rights of the people to the land and its rent would be accompanied or followed, not only by the removal of the taxes on production, but also by the repeal of the taxes on both its internal and its external trade. In so far as the various nations proceed along these lines, the citizens of any one nation would be enabled to trade freely with those of any other nation, and free course would be given to those processes which enable the inhabitants of each

country to participate in the natural advantages of all other countries and bind the nations together for their mutual benefit. This Free Trade goes far beyond mere anti-protectionism. It sees that protective taxes on trade generally produce a certain amount of revenue and that revenue taxes on trade generally have a protective effect. It recognises that some taxes on trade may be worse than others ; but it is opposed to all of them because by checking the course of trade they all tend to impoverishment, and they all hinder those processes that would unite the nations. The mere anti-protectionist acquiesces in the taxation of trade for revenue, because he has no alternative plan ; but the real free trader has an alternative plan, and knows that in any country the treatment of the land-rent as " Nature's budget " is the fundamental finance of real Free Trade.

### *The New Outlook*

No less important in its International bearing is the fact that land-value policy provides a new outlook, a new orientation of thought. Under present conditions we fail to draw any proper distinction between the free gifts of Nature and the products of industry ; we penalise production while allowing the free gifts of Nature to remain under private monopoly ; and our legislation is based, for the most part, on considerations of petty expediency, swayed in no small degree by the political pressure of private interests, which are often at variance with the interests of the community as a whole. The land-value policy gives us at once a larger view. It shows that the free gifts of Nature should be treated as public property and their rent as common revenue,

that the workers are entitled to the products of their work, and that free course should be given to production and exchange throughout the world. The more these principles are put in practice, the more clearly will it be seen that they are the economics of Internationalism. In every country the work of construction will require time and care ; but later on whoever has lent a helping hand will realise that, in the words of Emerson—

“ He builded better than he knew,  
The conscious stone to beauty grew.”

#### *Safeguards against Aggression*

The importance of the land-value policy as a safeguard against aggression becomes manifest when we remember that almost every war has had for its object the acquisition of land, with the wealth that it contains and the power that attaches to the control of it. In the earlier days wars were made for the personal aggrandisement of rulers and kings ; in modern times and under the forms of democracy, they have been engineered and manipulated for the enrichment of groups and syndicates ; as witness the wars in South Africa, where the prizes were diamond mines and gold-fields ; the Great War itself ; the French occupation of the Ruhr for its coal and minerals ; and the chronic contest between Spain and the Moorish tribes for the territory in and around Melilla. The risk of war would be minimised if the land of each country were treated as the property of its people in a real and effective way. The nation which has economic justice at home would desire other nations to have it within their boundaries also ; improved conditions of life would lessen the desire for aggression ; and the capacity for defence



would be strengthened by the fact of the land belonging to the people, not only in academic theory, but also in actual practice.

### *Economic Democracy*

These considerations lead to something further. "Everywhere, in all times, among all peoples, the possession of land is the base of aristocracy, the foundations of great fortunes, the source of power."<sup>1</sup> So wrote Henry George, and his statement is confirmed by history. Aristotle gave the clue to the early Athenian oligarchy, or government by the few, when he said that all the land was in the hands of the few, and that the cultivators were liable to be sold into slavery if they failed to pay their rents.<sup>2</sup> Appian tells us that the division of lands was one of the great causes of strife between the people and the Senate of early Rome.<sup>3</sup> The elder Pliny did much to explain the decline and fall of the Roman Empire when he wrote that the large estates in private hands had been the ruin of Italy, and were becoming the ruin of the provinces also.<sup>4</sup> The common ownership of the land was the economic basis of the village community. The lordship of the land was the foundation of feudalism. As Carlyle wrote: "Whoever possesses the land, he, more emphatically than any other, is the Governor, Vice-king of the people on the land."<sup>5</sup> Whatever be the form of government, those who exercise ownership of the land are the real rulers. To treat the land as the common property of the people, and its rent as their common revenue, is a necessary step "to make the world safe for democracy."

<sup>1</sup> *Progress and Poverty*, 5, ii.

<sup>2</sup> *Constitution of Athens*, 1, ii.

<sup>3</sup> *Civil Wars*, 1, i.

<sup>4</sup> *Natural History*, 18, vii, 3.

<sup>5</sup> *Past and Present*, 3, viii.

*The Single-tax Proposition*

The Single-tax proposition is that land-value policy should be developed till the whole economic rent of the land is taken for public purposes, and all other taxes abolished. It is an ideal to be approximated by extending land-value policy as far as possible, and by repealing all other taxes in the order of their demerit, as far as circumstances permit. The economic rent of any country would be amply sufficient for all the normal functions of civil government. In any country where the annual taxation, national and local, does not exceed the annual land-value, the principle might be applied at once and completely. In any country which is so burdened with debt and with the cost of military preparations that the annual taxation, national and local, exceeds the annual land-value, the policy can be applied only partially for the present, its complete application having to be preceded or accompanied by the gradual liquidation of debt and the lightening of the burdens of militarism. No one ever suggested that the land-value of any country would be sufficient to meet, not only the ordinary cost of civil government, but also to pay off colossal debts incurred over past wars, and to provide unlimited funds for warlike preparations in the future. The Single-tax proposition contemplates the development of International sanity and International goodwill, and every advance towards it would do much to promote them.

*Scope of the Movement*

But we are working for far more than an economic proposition. Our policy is the outcome of a desire to

improve the conditions of life, coupled with a recognition that we must begin by securing to the people their rights to their Mother-Earth. The immediate aim of the policy is material progress, and through that material progress it seeks to give larger opportunities for the development of the higher faculties and possibilities, which under present conditions are stunted and starved. Henry George, who said that "This land question is the bottom question," and that "Man is a land-animal," said also: "Man is an animal, but he is an animal plus something else. He is the mythic Earth-tree, whose roots are in the ground, but whose topmost branches may blossom in the heavens!"<sup>1</sup> Our movement seeks to give scope and opportunity for a fuller realization of life by the individual, by the family, by the local community, and also by the nation. Nor do our hopes end there. Besides endeavouring to secure the best conditions for life everywhere, we are working for that time when the nations shall be more closely united by a common policy for their common good, and when both the natural potentialities of every country and the special characteristics and aptitudes of every race shall be enabled to play their appropriate parts in the larger life of the world.

<sup>1</sup> See pp. 173, 174.

## NOTES

### NOTE A.—SPACE AND PRODUCTION

(See p. 15)

#### *General Principles*

What is called the Law of Diminishing Return is part of the more general Laws of Space in relation to Production and Economy of Effort. In stacking any materials, one would avoid making the stack so low as to entail an excessive amount of carrying and stooping, or so high as to require excessive lifting or to endanger the stability of the pile. In building a house, one would endeavour to avoid making it unduly straggling or unduly tall. In planting potatoes, one would avoid planting them so close as to interfere with one another's growth, or so far apart as to require an unnecessary amount of digging and hoeing. These considerations would apply even though the land could be had freely. When payment has to be made for the land, there is an additional reason for developing a particular area as far as increased expenditure will give a correspondingly increased return.

#### *Kindred Considerations*

The same general principles apply to time in relation to production. A particular house, for instance, can be built most economically in about a certain time. To protract the building operations considerably would be wasteful; to speed them up considerably would mean disproportional pressure and disproportional cost. Similarly, also, with many other

activities. In the development of a business a point may be reached at which further outlay, though it might increase the returns slightly, would not do so proportionally. In the ordinary affairs of everyday life, whatever is worth doing is worth doing well; but there is a stage of "well" beyond which the application of further effort, though it might improve the result a little, would not be worth while.

#### *Henry George's Work*

The Law of Diminishing Return was correlated with the general Laws of Space and Time in relation to Production by Henry George in his *Science of Political Economy* (published after his death), in the chapters on "The Relation of Space in Production" and "The Relation of Time in Production."

#### NOTE B.—UNRATING OF MACHINERY

(See pp. 16, 83)

#### *The Scottish System*

The Lands Valuation (Scotland) Act, 1854, s. 42, in interpreting the expression "lands and heritages" for the purposes of valuation, provided that these words should be deemed to include "all machinery attached to lands and heritages," thus by implication excluding all machinery that is not so attached. In consequence of the decision of the Court of Session on this section in *Carmichael's* case (1902, 4 Rettie, 525) the Lands Valuation (Scotland) Amendment Act, 1902, was passed, providing that these words should be construed as if they were followed by a proviso that, in any building occupied for any trade, business, or manufacturing process, they should include plant for power used in the building, for heating and for lighting, but should not include machinery so fixed that it can be removed without the removal of any part of the building. This proviso has

## NOTE C.—THE CANKER OF MORTGAGING

(See p. 29)

*The Disruptive Process*

It has been the general experience that mortgaging eats like a canker into peasant proprietorship, and revives landlordism in its worst form. Sir Antony (now Lord) MacDonnell has described the process in these words, which were based on what has taken place in various European countries, confirmed by his own experiences in India :

“ The process is this—first there is a period of prosperity, with a rise in the standard of comfort ; then follows indebtedness, slight at first, but ever growing with the facilities which are readily afforded by the usurer. Next come mortgages, and then comes subdivision and sale to meet the mortgagees' claims. Finally comes the crash ; and the grandson of the tenant-proprietor becomes the sub-tenant on his former patrimony, while the usurer becomes the rack-renting landlord ”  
(*Irish Times*, Dublin, 13th February 1903).

*Experience of France*

In France the experience has been the same. Speaking of the peasant proprietors there, Mr A. E. Pratt says :

“ ‘ Proprietors ’ they may be in name, but few of the peasants hold their land free of mortgage, and many of them are heavily indebted besides. They not only cultivate the soil under the most laborious of conditions, but they must meet, as best they can, the demands of the State, the usury of the money-lender, and also the fees of the lawyer who fattens alike on the land transfers and on the quarrels and lawsuits. ‘ Of the 8,000,000 proprietors in France,’ wrote M. Lecouteux, when Professor of Rural Economy at the Institute, ‘ 3,000,000 are on the pauper roll, exempt, that is, from personal

## C.—THE CANKER OF MORTGAGING 123

taxation'; while of the remainder, at the period of which this authority speaks, 600,000 proprietors paid contributions to the State amounting to only five centimes each. 'Getting rid of one order of landlords and their rents,' adds M. Lecouteux, 'they have subjected themselves to another, though invisible, order—the mortgagees, and to their heavier and more rigid rents'" (*Transition in Agriculture*, 1906, p. 234).

Another witness to this state of things is Mr R. E. Prothero (now Lord Ernle), who was President of the Board of Agriculture from 1916 to 1919. In his book *The Pleasant Land of France* (1908), after describing the conditions of the peasant proprietors in France, he says :

"The position of the peasant, thus miserably lodged and poorly fed, is said to be precarious and perilous. He is a proprietor only in name. The real owner is the money-lender, and the peasant proprietor is a veritable serf" (p. 73).

### *Experience of Denmark*

In Denmark also the same defects have developed. Again to quote Mr Pratt's work :

"In regard to agricultural education and organisation (Denmark) has certainly secured remarkable results; but when one comes to look more closely at her much-boasted system of land tenure, one finds some of the darker lines of an otherwise pleasing picture. Nominally, the peasant proprietors who constitute so important a section of the Danish people are 'freeholders'; practically, they are saddled with a mortgage debt estimated at about £60,000,000, and representing 55 per cent. of the value of their farms, with buildings, stock, and improvements" (p. 240).

This has been confirmed by Mr (now Sir) Henry Rider Haggard. In *Rural Denmark and its Lessons*, 1911, after

commenting on the apparent prosperity of the Danish farmers, he goes on to say :

“ On the other side of the account, however, must be set the fact that these freeholders—for I believe that over 90 per cent. of the Danish farmers own the land they work—are considerably mortgaged. Probably it would not be too much to say that on an average they have borrowed up to half the value of their estates, which, if my memory serves me, is almost the limit to which the Credit Unions will advance ” (p. 177).

#### NOTE D.—FACTORS IN PRODUCTION

(See p. 46)

##### *Father and Mother of Wealth*

Sir William Petty, who was Surveyor-General of Ireland under Charles II and author of various works on political economy, said in his *Treatise of Taxes and Contributions* (London, 1662), ch. x, s. 10: “ That Labour is the Father and active principle of Wealth, as Lands are the Mother ” ; and in Captain John Graunt’s *Natural and Political Observations on the Bills of Mortality*—a work in which Petty collaborated, and which was published in London in the same year—there is a similar observation about “ Hands being the Father, as Lands are the Mother and Womb of Wealth ” (ch. viii, s. 14). The point, of course, is that Labour is the Father and Land is the Mother of Wealth, because Wealth is got by Labour from Land. And Wealth becomes Capital when it is used to assist in the production of more Wealth.

##### *Ambiguous Use of Words*

Under just conditions, these names would have been used to denote these factors in production as thus classified. But, as stated in Chapter V, the treatment of land as private



property has led to the words "wealth" and "capital" being used to include the land, to "capitalism" being used to include landlordism, and to "capitalist" being applied indiscriminately to such dissimilar classes as the producers who are applying the products of their industry to assist in further production, and the land-monopolists who are preventing production by holding up land, in the hope of getting ransom prices for it later on.

*Subjects to be Considered*

Words, of course, are merely counters; but it is important to have a clear idea of what we mean by them, or, rather, of the subjects that we use them to denote. The four subjects here considered are: (1) the gifts of Nature that exist independently of human action; (2) human action in all its forms; (3) the products that human action gets from the gifts of Nature, whether without or with the aid of previous products; and (4) these products applied to further production. We may call these four subjects "Land," "Labour," "Wealth," and "Capital," or we may call them by any other names; but, whatever we call them, it is of fundamental importance to recognise the differences between them and their relations to one another.

NOTE E.—REPRINTS OF EIGHTEENTH-CENTURY WORKS

(See pp. 60, 61, 62)

The progress of the land-value movement has led to a revival of interest in some of the earlier works mentioned in Chapter X.

*The Nationalisation of the Land* (E. W. Allen, London, 1882), contains a reprint of Thomas Spence's "Real Rights of Man," with Notes by H. M. Hyndham.

*Birthright in Land* (Kegan Paul, London, 1891), contains a

reprint of William Ogilvie's "Essay on the Right of Property in Land," with Preface, Index, Biographical Notes, and Appendix, by D. C. MacDonald.

*Concerning Four Precursors of Henry George* (Labour Leader Publishing Department, London, 1899), by John Morrison Davidson, gives interesting accounts of William Ogilvie, Thomas Spence, Thomas Paine, and Patrick Edward Dove, with quotations from their writings; and also of "Winstanley the Digger" in the days of the Commonwealth.

*Pioneers of Land Reform* (G. Bell & Sons, London, 1920), is a handy volume containing reprints of William Ogilvie's "Essay on the Right of Property in Land," Thomas Spence's "Real Rights of Man," and Thomas Paine's "Agrarian Justice," with an Introduction by Max Beer.

Some other reprints are mentioned on pp. 61, 62, 127.

#### NOTE F.—HENRY GEORGE ON PATRICK EDWARD DOVE

(See pp. 69)

In a lecture on "The Land and the People," at Paisley, on the evening of Thursday, 18th December 1884, Henry George made the following observations on Dove's work (The quotation is from the report in the *North British Daily Mail* of the following day):

"Mr Henry George, in the course of his lecture, said that he had been accused of bringing over to this country a Yankee invention. (Laughter.) When he first came to this side of the Atlantic, as he was leaving, a gentleman put into his hand a book he had never seen before, on *The Theory of Human Progress*, which was published about the year 1850. He found stated therein the very same principles which he had been advocating, and consequently made some inquiries which resulted in his discovering the author. He was a Scotchman, who in

the future would be better known than he is now—Patrick Dove. (Cheers.) Mr George then read over some extracts from the book, remarking that he preferred the author's words to his own, because he was a Scotchman, and because he was occupying a prominent position before he himself was born. His principles were: 'All men are equal in their right to the natural earth; no man can substantiate a right to any specified portion of the earth; the product of each man's labour is his own property, and ought to be absolutely sacred from the forcible or fraudulent interference of other men.' The question to be solved was how, with these conditions, could man equitably allocate the earth. The answer was plain. By making the rent-value of the soil a common property to the whole associated community. (Hear, hear, and cheers.)"

Later on Henry George, in his book, *A Perplexed Philosopher* (1893), in which he collected and examined Herbert Spencer's various utterances on the land question, after referring to the small and slow circulation of the original edition of *Social Statics*, wrote (1, vi):

"A similar fate to that which *Social Statics* met in England befell a very similar book, covering much the same ground, *The Theory of Human Progress* by Patrick Edward Dove, published a little before *Social Statics*, but in the same year, and also asserting the equal right to the use of the land. While Dove is not so elaborate as Spencer, he is clearer in distinctly disclaiming the idea of compensation, and in proposing to take ground-rent for public purposes by taxation, abolishing all other taxes. His book must have done some good on the minds that it reached, but it passed out of print, and was practically forgotten."

It may be added that a new edition of Dove's *Theory of Human Progression*, with Memoir, Appendix and Notes, by

Alexander Harvey, was published by the Humboldt Publishing Company, New York, in 1895.

## NOTE G.—THE QUESTION OF CONTRACTS

### *General Principles*

If the taxation or rating of land-values, with proportional contribution, were accompanied by a remission of any of the taxes or rates now incident on the tenants, there would in many cases be the incidental result that the tenant would be wholly or partly relieved from the previous burdens which he had been required by law to pay, and had contracted with his landlord to pay;<sup>1</sup> while the new burdens on the landlord would be increased unduly. It is therefore necessary to have some adjustment, preferably along the lines already proposed,<sup>2</sup> requiring the tenant to deduct from the proportional contribution that he would otherwise be entitled to obtain from his landlord any remission that he receives. But this adjustment would be applicable only where, and in so far as, there is an actual remission of burdens actually imposed. The State, when taxing or rating land-values, has the right to settle the incidence of the charge according to the rules of proportional contribution; and, apart from the adjustment just mentioned, it should not allow these rules to be nullified by previous contracts made between the parties, whether made specially for that purpose or not.

### *Income Tax Precedent*

That the legislature claims the right to settle the incidence of a new tax, whatever the previous private arrangements may have been, was illustrated by a case under the Income Tax Act, 1842. By a settlement made before that Act, the trustees were to pay to the beneficiary a specified annuity to be charged

<sup>1</sup> See p. 130.

<sup>2</sup> See p. 110.

on certain lands, and to be "freed and clear and without any deduction whatever in respect of any taxes, rates, charges, assessments, or impositions, then already, or which should thereafter be taxed, charged, assessed, or imposed . . . by authority of Parliament or otherwise." Then came the Income Tax Act, 1842, which imposed the Income Tax, specified how it should be charged and how it should be deducted from income, and in s. 103 made void any contract inconsistent with its provisions. The beneficiary resisted the deduction of the tax on the ground that the settlement was made before the Act, and that it was the intention of the testator that, whoever might have to pay any subsequently imposed taxation on this income, it should not be the beneficiary. But the judges held otherwise. "We have nothing to do with the intention of the settlor," said Chief Baron Pollock, "the Acts imposing the Income Tax break through all private arrangements";<sup>1</sup> and the Court held that though the settlement had been made before the Act, the beneficiary had to pay Income Tax in accordance with the Act. It may be added that this provision in s. 103 of the Act of 1842 has been re-enacted in Rule 23 (2) of the All-Schedules Rules of the consolidating Income Tax Act, 1918, which makes void any agreement for payment of interest, rent, or other annual payment in full, without allowing deduction for Income Tax. Thus the incidence of Income Tax under Schedule A is settled by statute; it is not affected by contracts, whether previous or subsequent; and the practice is to except it specifically (under the name of "Landlord's Property Tax") from contracts to pay rates and taxes, so as to obviate the risk of making these contracts void.

#### *Legal Liability for Rates*

In England, speaking generally, the Acts that authorise rating impose the liability on the occupier, though in some

<sup>1</sup> *Attorney-General v. Shield*, 1858, 3 H. & N. 836.

cases, as with houses below a certain rental, they impose the liability on the owner ; that name, so far as rates are concerned, generally denoting the occupier's immediate landlord. In most instances the contract in the lease as to the payment of rates follows the statutory liability, though in some it is otherwise, as the Acts allow of the parties making such arrangements as they please between themselves, but without prejudice to the statutory liability in case of non-payment. Thus, for instance, where the statutory liability is on the occupier, the landlord may let the premises at an inclusive rent and undertake to pay the rates ; but if the rates are not paid the occupier remains liable for them, though the contract may give him a remedy against the landlord. In the more usual case of the occupier, who is liable for the rates, contracting with the owner to pay them, the contract follows the law ; it is the statutory provision that gives the rating authorities the right to recover the rates from the occupier, and the contract with the owner enables the owner to treat the failure of the occupier to pay them as a breach of one of the conditions of the lease.<sup>1</sup>

#### *Rating Act, 1874, as Precedent*

In England, a general contract by the occupier to pay all rates, whether imposed at the time or imposed thereafter, is construed to cover all future rates, except in so far as any Act under which they are imposed provides for their incidence as between the parties on other lines, as was done, for instance, by certain provisions of the Rating Act, 1874. By that Act certain subjects (of which the most important were mines other than coal mines) which had not previously been rateable, were brought within the scope of rating ; and the rates were made payable by the occupiers, with a proviso that where the occupier was a lessee under a lease made before the Act, he should be authorised to deduct half the rate from

<sup>1</sup> See, for instance, *The Law and Practice of Rating*, by Walter C. Ryde, K.C., 4th ed., 1920, ch. iii.

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his rent. There was the additional qualification, "unless he has specifically contracted to pay such rate in the event of the abolition of the said exemption"—that is, the exemption from rating that these subjects had previously enjoyed—but it was held that this qualification was applicable only to contracts made specifically in contemplation of this particular event, that it did not apply to a previous general contract by the lessee to pay all rates that were then or might thereafter be imposed on the subject, and that, even where there was a general and comprehensive contract of this character, the lessee was entitled under the Act to deduct half the new rate from his rent.<sup>1</sup>

### *Mr Joseph Chamberlain and Lord Eversley in 1885*

A similar question arises in connection with any proposal to bring ground landlords within the ambit of rating, as appeared when this proposal was considered by the Royal Commission on the Housing of the Working Classes in 1885. Mr Joseph Chamberlain, M.P., then President of the Board of Trade, in the course of his evidence expressed the view that persons who are benefited by the improvement schemes, even if they are benefited without their consent, should be called upon to pay a special contribution to the costs of the scheme, and did not see why the ground landlord should escape from his share of the contribution. The same opinion was expressed by Lord Eversley (then Mr J. G. Shaw-Lefevre, M.P., First Commissioner of Works), who said: "I do not myself think that the State should recognise a contract exempting for all time to come one party to the contract from all burdens which may in future be thrown on him by the State," and pointed out that the proposed new burdens were for "new functions of the State which were

<sup>1</sup> *Chaloner v. Bolckow*, 1878, 3 A.C. 933. See also Hansard's *Debates*, 1874 (when the measure was before Parliament), 3rd series, vol. 219, p. 661; vol. 220, p. 669.

never contemplated at the time by either party or by the State." <sup>1</sup>

*Scottish and Irish Acts of 1889 and 1898*

When the liability for certain rates was transferred from owners to occupiers by the Scottish and Irish Local Government Acts of 1889 and 1898,<sup>2</sup> respectively, it was considered a sufficient adjustment to authorise the tenant to deduct from his annual rent an amount equal to the annual amount which the landlord had paid before the change, and of which he was relieved by the transfer of liability to the tenant. These precedents are the stronger, because the transfer of the liability was effected in view of the general expectation which proved to be right, that the rates would be considerably increased under the new system of local government then introduced. Nor does objection appear to have been taken on the ground that in many cases the owners had contracted to pay owner's rates. All parties seem to have agreed that the adjustment mentioned was quite adequate.

*English Law as to Obligations*

If the legislature expressly settles the incidence of a new rate or tax as between the parties interested, no question of contract between them affects that incidence. But if the legislature allows contracting-out, the rate or tax is collected from the party by whom it is payable in the first instance

<sup>1</sup> See the *Report and Evidence of the Commission, 1885, C. 440*; particularly Answers 12,416, 12,422, 12,512-6, and 12,698-12,701; the last containing a reference to the Rating Act, 1874.

<sup>2</sup> Under the Scottish Act (s. 27) certain rates that had previously been payable by owners were divided between owners and occupiers in accordance with a practice familiar in Scotland. Under the Irish Act (ss. 52, 54) certain rates that had previously been payable by owners were made payable by occupiers. As used in Acts that relate to rating, the expression "owner" generally means the occupier's immediate landlord.



and the question whether he is entitled to recover the whole or any part of it from another party depends on contract. If there is no contract bearing on the matter, the burden remains on the payer; if there is a contract bearing on it, the ultimate incidence depends on the interpretation of that contract. In England, contracts to pay all future rates and taxes are interpreted in a comprehensive way, so as to include all future rates and taxes, except in so far as their incidence between the parties has been arranged otherwise by the legislature, as in the Rating Act, 1874, already mentioned.

#### *Scots Law as to Subsequent Obligations*

In Scotland, however, the rule is that a contract by which the superior has undertaken in general terms to pay and relieve the feuar of all burdens that are then or may thereafter be imposed on the land, though it requires the superior "to give relief from all public burdens exigible or payable at its date, or that might thereafter at any time become exigible or payable by virtue of any law or practice existing at its date, it will not afford relief from public burdens created or imposed by supervenient laws, that is to say, by laws enacted after the date of the obligation." This rule of interpretation has been established by a series of cases, including *Sprot v. Heriot's Hospital*, 1829, 7 S. 682; it was affirmed unanimously by the whole Court of Session, both Divisions sitting together, in *Scott v. Edmond*, 1850, 12 D. 1077; and it was further affirmed by the House of Lords in *Dunbar's Trustees v. British Fisheries Society*, 1878, 5 R. (H.L.) 221, L.R. 3 A.C. 1298. In each of these cases the superior had undertaken to pay and relieve the feuar of all burdens imposed or to be imposed on the land; and considerations of common sense and common justice, as well as the opinion expressed by the Lord Justice-Clerk in *Jopp's Trustees v. Edmond*, 1888, 15 R. 271, show that the same rule of construction would be applicable to the converse case, where the feuar has under-

taken in similar terms to pay and relieve the superior of all future burdens, or where the tenant has undertaken a similar obligation to the landlord.

*Special Anticipatory Contracts*

It is, indeed, so well recognised that a general contract of this kind would not apply to a subsequently-imposed tax that, in some of the feu-charters made since the taxation of land-values entered the field of practical politics, special contracts of a new kind have been inserted, by which either the feuar undertakes to pay and relieve the superior of any future burdens that may be imposed on him by either any existing or any supervenient law, or agrees that the superior, in the event of any new burden being imposed on the feu-duty, may require the feuar to redeem the feu-duty by a capital payment equivalent to a certain number of years' purchase of its annual amount. But it does not appear likely that Parliament, in providing for the taxation and rating of land-values along the lines of proportional contribution, will allow that arrangement to be varied or turned aside by anticipatory contracts specially designed for that purpose, even to the limited extent that was permitted about fifty years ago by the English Rating Act of 1874.

NOTE H.—IMPROVEMENTS THAT MERGE INTO  
LAND

(See p. 91)

*Works of Reclamation, Levelling, etc.*

Special consideration may be given here to the case of those improvements like reclamation, levelling, and drainage—included under sub-head (*d*) on p. 91—which merge into land and become indistinguishable from it. In order to promote the making of such improvements in future, some allowance should be made in respect of any resulting increase in the

## H.—IMPROVEMENTS THAT MERGE 135

land-value for a period of years ; and, by analogy, the same rule may be applied to any which are now in the making, or which have been made within that period preceding the date of valuation.

### *Retrospective Time-limit*

The application of the rule to improvements already made is based on analogy alone, as there can be no question of promoting what has already been done. But it would be idle to go farther back into the past, or to cumber the valuations with antiquarian research. As Henry George said : " A swamp drained or a hill terraced by the Romans constitutes now as much a part of the British Isles as though the work had been done by earthquake or glacier." <sup>1</sup> It would serve no useful purpose to attempt to distinguish from the land of a property all the changes that had been made in the land itself by all the generations that have lived and worked upon it ; to value building sites at Westminster as if they were still portions of a marsh, or to value the lands of what is known as the Bedford Level as if the drainage of the fens, which has been going on for centuries, had never taken place. The way to allow for improvements that merge in the land is to ascertain the land-value of the land in its existing condition, and then to allow a deduction from the land-value valuation in respect of any factors in that value which are shown to be attributable to improvements of this character and to have originated within a certain number of years preceding the valuation.

### *The Forty-years' Period*

The period suggested in sub-head (d) on p. 91 for both past, present, and future improvements of this kind is forty

<sup>1</sup> *Progress and Poverty*, 8, iv. The case of an embankment on the coast of the Wash dating from Roman times formed the subject of a judicial decision in *Waite's Executors v. Inland Revenue Commissioners*, 1914, 3 K.B. 196.

years. It is midway between the thirty and the fifty years proposed in the Revenue Bills of 1913 and 1914 respectively; and corresponds with the forty years which is the maximum period over which may be spread the repayment of advances made for the improvement of land under the Improvement of Land Acts, 1864 and 1899, on the assumption that such improvements, if judiciously made, should pay for themselves within that period.<sup>1</sup> In India, it would seem, if a man sinks a well to irrigate his fields, or brings land from forest under the plough, the resulting increase of value remains untaxed for thirty years.<sup>2</sup> In Denmark, under the Law of 1922, which prepared the way for land-value taxation as mentioned in Chapter XI, the period of allowance for various improvements is also thirty years; with the qualifications that the person claiming the allowance has to bring evidence in support of his claim, and that if the allowance is not claimed at the first valuation at which it is claimable, it should not be claimable at any subsequent valuation.<sup>3</sup> These qualifications have been taken as a precedent for the first two qualifications to sub-head (d) on p. 91.

#### *A Further Qualification*

A few words may be added with reference to the qualification in sub-head (d) itself, which limits the allowance to the case of improvements made by a person who has an interest in the land at the time when they are made. It is not intended that the allowance should be made in respect of an increase

<sup>1</sup> In the case of sea-walls and similar embankments, deduction is allowed in Income Tax for the cost of making and maintaining them, based on the amount expended by the landlord or owner of the land on an average of the twenty-one preceding years; see Income Tax Act, 1918, Schedule A, No. 5, Rule 1 (g).

<sup>2</sup> See the Duke of Bedford's *Story of a Great Agricultural Estate* (1897), at p. 73, where he mentions the Indian system as contrasting favourably with that which prevails here.

<sup>3</sup> See *Land & Liberty*, September 1922, p. 374.

## H.—IMPROVEMENTS THAT MERGE 137

of value accruing to B's land from an improvement made by A, which, besides increasing the value of A's land, incidentally increases the value of B's land also. In that case B's land should be valued on its land-value without deduction, just as if the improvement had been made by public expenditure; and this rule should continue to apply even if B subsequently disposes of the land to someone else, and even if that someone else is A.

### *Inter-relations*

If it be asked why the forty-years' limit should not be applied to houses and other improvements which are different in character from land, the answer is that there is no need for such a provision, and that it is much easier to value the land apart from, say, the house upon it, than to value the house also, and attempt to ascertain how much of it is more, and how much of it is less, than forty years old. Nor need the time-limit be applied to ploughings, sowings, and the like, under sub-head (c), as their value becomes exhausted long before forty years; and the same observation applies also to temporary buildings, fruit bushes, and various other subjects included under sub-heads (a) and (b). In some cases the same subject may fall to be considered under two sub-heads; if, for instance, a sea-wall is built for the reclamation of land which is over-flowed at high tide, the sea-wall itself, if a structure, would be altogether excluded from land-value under sub-head (a), and the resulting increase in the land-value of the land that it serves (in so far as that land belongs to the maker of the wall) would form the subject of an allowance under sub-head (d).<sup>1</sup> This liberal treatment of such improvements may be contrasted with the present system, which hardly allows for them at all.

(A more extended examination of the subject, giving the

<sup>1</sup> In the proposed system, as in any other, there are some difficult cases which would require special treatment.

Parliamentary history of the time-limit, may be found in an article on "Improvements that Merge in the Land" in the present writer's pamphlet, *Land-value Problems*.)

#### NOTE I.—CORN LAWS

(See p. 40)

##### *Prices and Rents*

The Law of Rent exposes the falsity of Corn Laws, because it shows that rents are regulated by prices, and that the raising of the prices of corn raises the rents and prices of corn lands, and works out to the benefit of the landlord at the expense of the community as a whole.

##### *Duties on Imported Corn*

The simplest Corn Laws are duties on imported corn, which, by raising the prices of the imported corn, enable the prices of home-grown corn to be raised correspondingly. The plea is that this increase of the price enables corn cultivation to be extended to lands where it would not otherwise be profitable; but by lowering the lower-limit of corn cultivation it raises the values and rents of the more productive corn lands (see p. 37), and so works out for the benefit of the landlords. Moreover, as the additional profit is proportional to the amount of corn produced, the greatest gain per acre goes to the possessors of the more productive lands, where corn would be grown at a profit even if there were no duty at all. These economic points have been driven home by practical experience. As Mr Joseph Chamberlain said at Ipswich, on 14th January 1885 :

"The condition of the farmer was never so hopeless, and the state of the labourer was never so abject, as when the corn was kept up at a high value by a prohibitive or protective duty; when it was 64s. or even rose to 120s.

a quarter. Even at that time the evidence given before repeated committees of the House of Commons shows that the state of agriculture was deplorable. The food of the people was taxed to raise the rents of the landlords. None of the plunder found its way into the farmers' pockets."

#### *Bounties on Home-grown Corn*

In the alternative plan of giving a bounty on home-grown corn, the procedure is to tax the people in order to pay to the corn-growers a bonus on each unit of corn produced. In this case also, in so far as the bonus to the grower extends corn cultivation to less productive lands, it raises the rents and prices of the more productive corn lands, and so works out for the benefit of the landlord. In this case also, as the bonus is proportional to the amount of corn produced, the greatest bonus per acre goes to the possessors of the more productive lands, where corn would be grown at a profit even if there were no bounty. There is the further difficulty that the quantities cannot be ascertained till after the corn has been harvested and thrashed, and even the most stringent restrictions on the transport of it may fail to prevent the bounty from being claimed more than once on the same corn.

#### *Corn Production Act Guarantees*

Another variation of Corn Laws consists in guaranteeing minimum prices for corn, so that, if the average prices fall below the guaranteed minimum prices, the taxpayers are required to make up the difference. This was the plan adopted in the Corn Production Act, 1917. As first proposed, the guarantee was to be a guarantee per unit of wheat or oats; but the considerations mentioned in the preceding paragraph led to its being changed to an acreage basis, which basis was also adopted in the subsequent Act of 1920. These guarantees worked out in much the same way as other Corn Laws;

because the guarantees of prices operated as guarantees of rents, and enabled the landlords to get more for their land than they could otherwise have done. In a few cases the rents were raised, but the more general plan was to sell the land to the farmer at an inflated price; and this course was the more easy, because most of the farms were held on yearly leases, because the farmers had done well during the war, and because in many cases the landlords were willing to leave a proportion of the purchase-money outstanding on mortgage.

#### *Repeal of Corn Production Acts*

In 1921, however, the Corn Production Acts were repealed, as the continuance of them would have been ruinous; and an arrangement was embodied in the repealing Act under which the taxpayers have had to pay nearly £20,000,000 to the interests affected. The repeal of these Acts, coupled with the fall in the prices of agricultural produce, was naturally followed by a slump in the prices of agricultural land. Many of those who had bought land at inflated prices now found themselves in difficulties. Writing in *The Times* of 15th December 1922, Lord Long said that many farmers had paid prices "wholly inconsistent with present values"; and in another letter which appeared in the issue of 6th March 1923, Mr C. M. Newton spoke of knowing personally of "a number of farms which, if sold to-day, would not make the amount of the mortgage advanced on them, fixed when the farms were bought at inflated prices."

#### *The Landed Interest in Danger*

Besides affecting the purchasers, this state of things caused considerable anxiety to landlords who had sold land partly on mortgage, and also to other mortgagees. There was the risk that the purchaser might be so overburdened with debt as to be unable to work the land properly; that he might



be unable to pay the interest on the mortgage, which in some instances was more than his pre-war rent; and that, if the value of the farm fell below the amount for which it was mortgaged, the mortgagee might not be able to realise the mortgage-debt even by foreclosure. The Corn Production Acts had inflated the prices of agricultural lands; the repeal of these Acts had led to a slump; and both the sellers and the purchasers charged the government with bad faith.

#### *Exploiting the Taxpayers*

The government met this charge by exploiting the taxpayers. In the Agricultural Credits Act, 1923, provision was made for financing with public money those who had bought agricultural land on mortgage between 5th April 1917 (the day when the Corn Production Bill of 1917 was introduced) and 27th June 1921 (the day when the repealing Bill was introduced); and this special provision for lands purchased between these dates was itself an admission that the Corn Production Acts had inflated the prices of agricultural lands. The plan was to finance those who had bought such land during the currency of these Acts, by advances of public money, made through approved associations, on new mortgages, subject to certain conditions. These advances will help the purchasers to pay off what may be called the Corn Production Act mortgagees, so that these mortgagees will secure their inflated prices in cash, leaving the results of the slump to fall on the purchasers, and to some extent on the taxpayers, as the money is being lent at a rate lower than that at which it can be borrowed.

#### *A Triumph for Landlordism*

The whole thing has been a triumph for landlordism. The landlord-mortgagees in particular may congratulate themselves on the double event, because the Corn Production

Act enabled them to sell the land at inflated prices, and the Agricultural Credits Act will help them to get the money. The Acts were passed by different governments, or by nominally different governments; but they are of the same type. They were passed on the plea of bonafide agriculture. They have, in fact, only enriched the landlords, and have left both the farmers and the general public in a worse position than before.

*"Ring out the False, Ring in the True"*

Corn Laws, whatever form they may take, are fundamentally false. They mean dearer food or higher taxes to the people, and enrichment for the landlords. Production is to be promoted, not by increasing the price of the produce or giving bonuses on it, but by decreasing the cost of production; and the way to decrease the cost of production is to make the land available for use on fair terms, and to remove the penalties that are now imposed on its development. What is wanted for agriculture is the same policy as is wanted for housing and the manufacturing industries—that those who hold the land should be required to pay its economic rent to the community, whether they are using it or not, that agricultural and other improvements should be rebated from both taxation and rating, and that the tenant should have security of tenure.

## NOTE J.—THE AGRICULTURAL RATES ACTS

### *Character of these Acts*

The Agricultural Rates Act, 1894, was passed at a time of agricultural depression. It did nothing to remedy the defects of agricultural rating. Its plan was merely to transfer the liability for half the rates on "agricultural land" to the occupiers, the immediate effect being to rebate the occupier of half the rates, and ultimately to benefit the landlord, either

## J.—THE AGRICULTURAL RATES ACTS 143

by enabling him to obtain a corresponding increase of rent, or, at least, to avoid reductions that he might otherwise have to allow. Its character was exposed in the Parliamentary debates on it; and, as Mr Lloyd George said, it was designed to drive the taxpayers "into the landlords' leech-pond."<sup>1</sup>

### *Penalties on Intensive Cultivation*

Far from encouraging the more complete development of the land, it grants this dole only so long as the land remains uncovered. In a case which arose shortly afterwards, of several acres that had been covered with glass-houses for the purposes of intensive cultivation, it was held that the land was not "agricultural land" within the Act, and, consequently, that the occupier had to pay the whole of the rates on the improved value of the property.<sup>2</sup> If he had only demolished the glass-houses and abandoned intensive cultivation, his valuation and his rates would have been greatly reduced, and half of the reduced rates would have been paid for him out of money provided by the taxpayers!

### *Strengthening Land-monopoly in Towns*

Another result of the Act is to make the taxpayers pay half the rates on what is classed as "agricultural land" in the towns, and thus to strengthen the hands of the land-monopolists, who are holding it back from building until they can obtain prices which are wholly disproportionate to the very low valuations on which it is being rated and taxed. Statistics on the subject for a number of towns and urban districts may be found in two House of Commons Returns,<sup>3</sup> relating respectively to England and Wales and to Scotland, in which the corresponding provisions of the Agricultural Rates

<sup>1</sup> *Parliamentary Debates*, 4th series, vol. 40, p. 242.

<sup>2</sup> *Smith v. Richmond*, 1899, A.C. 488.

<sup>3</sup> *Urban Districts (Areas and Rates)*, No. 119 of 1913; *Burghs (Areas and Rates) (Scotland)*, No. 144 of 1914.

(Scotland) Act, 1896, apply. In the year 1911-12 (the financial year to which the returns relate) half the rates were thus being paid on more than 3,800 acres in Liverpool, on more than 5,000 acres in Manchester, and on more than 8,000 acres in the administrative county of London. In Scotland about half the occupiers' rates were thus being paid on more than 2,000 acres in each of the four largest cities, Edinburgh, Glasgow, Dundee, and Aberdeen. The London figures were excluded from the English return "for some reason unknown," to quote Sir Edgar Harper; who, however, "succeeded in obtaining the information," and set it out in a paper on "The Bases of Local Taxation in England," read before the Royal Statistical Society in 1918.<sup>1</sup> Of the total area of 74,816 acres within the administrative county of London, no less than 8,102, or more than 10 per cent., were being treated as "agricultural land" within the Act, and of the total rates amounting to £15,869,191 on the whole area, only £2,594, or about 0.016 per cent. of the whole, was being charged on this "agricultural land."

#### *Further Observations and Statistics*

The real requirement is a complete repeal of the Agricultural Rates Acts, and a reconstruction of the whole system of rating and taxation of landed property along the lines already indicated. The Agricultural Rates Acts have now become so interwoven with the rating system, particularly in country districts, that it would be difficult to repeal them except as part of the larger reform. They were passed to continue for a period of four years from 31st March 1897; but it is easier to start a dole than to stop it, and since 1901 they have been continued annually by the annual Expiring Laws Continuance Act. The amount of the grants for the financial year 1922-23, under the Agricultural Rates Act, 1896, was £1,321,723, and under the Agricultural Rates

<sup>1</sup> See the Society's *Journal*, May 1918, vol. 81, at p. 419.

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(Scotland) Act, 1896, was £181,737, to which may be added the amount of the supplementary grant in relief of agricultural rates under the Local Taxation Account (Scotland) Act, 1908, of £20,000 a year.<sup>1</sup> This £20,000 a year is a fixed grant; the grants under the Agricultural Rates Acts are variable, being a certain proportion of the rates, and are now charged on the Consolidated Fund under the Finance Act, 1907, s. 17 and Schedule 2.

### *Agricultural Rates Act, 1923*

The Agricultural Rates Act, 1923, which has just become law, extends the policy of the preceding Acts, on the general plan of reducing the proportion of the rates that the occupier has to pay from half to a quarter, and increasing the proportion that the taxpayers have to pay from half to three-quarters. It will do nothing to remedy the evils already mentioned, and will only increase the burden on the taxpayers and strengthen the grip of landlordism. The landlords ultimately reap the benefit of all remissions of this character. The recent allegation of the then Minister of Agriculture that the Agricultural Rates Act, 1923, is a "most solid and lasting benefit to farmers,"<sup>2</sup> was properly characterised as "fanciful and fallacious," by Sir George Fordham, who appropriately pointed out that :

"Whatever the immediate benefit may be to the occupier, it cannot be 'solid and lasting.' No economist doubts that reductions in rates and other more or less fixed charges, gradually, in the competition of the market for land as a basis for cultivation, pass to the credit of the landowner in an enhancement of the rent. The relief from the occupier of land of one-half of the rates, set up by the Agricultural Rates Act, 1896, must

<sup>1</sup> 163 *H. C. Debates*, 1302, 2nd May 1923.

<sup>2</sup> *The Times*, 21st September 1923.

have been absorbed into rent very many years ago; and the relief now given will, undoubtedly, follow the same course."<sup>1</sup>

#### NOTE K.—TITHE-RENTCHARGE

##### *Tithe and Tithe-rentcharge*

The payment of tithes in this country gradually became customary, and was afterwards enforced by law. They used to be payable in kind, the tithe-owner, for instance, taking every tenth sheaf of corn; and the practical difficulties of the system led to the passing of the Tithe Commutation Act, 1836, which provided for the commutation of tithes in kind into money payments, under the name of tithe-rentcharge.

##### *System of Tithe-rentcharge*

The general plan was, in the case of each tithed property, to convert the tithes into their money-value, on the basis of the prices of corn (wheat, barley, and oats) for the seven years preceding 1836,<sup>2</sup> to take that amount as the par value of the tithe-rentcharge, and to ascertain the amount payable in any subsequent year by taking a proportion of the par value corresponding to the proportion which the average prices for the seven years preceding that year bear to the average prices for the seven years preceding 1836. To facilitate the ascertainment of the amount of tithe-rentcharge for any subsequent year, the average prices for the seven preceding years are published in the *London Gazette* at the beginning of each year, with a statement of the amount thus payable for that year in respect of each £100 that was payable in the year 1836. This standard of comparison is

<sup>1</sup> *The Times*, 24th September 1923.

<sup>2</sup> The average prices of wheat, barley, and oats, respectively, for the seven years preceding 1836 were 56s. 2d., 31s. 8d., and 22s. a quarter.

called the par value of tithe-rentcharge ; but we should bear in mind that it dates from a time when the prices of corn were being kept artificially high by the Corn Laws.

*Nature of the Charge*

The claim to tithe-rentcharge is not founded on anything that the tithe-owner or his predecessors have done to the land. The landlord has generally provided the buildings and various other improvements, the tenant applies labour and a good deal else to the land ; but the tithe-owner does nothing, whatever to assist production. Tithe-rentcharge, like the tithes in kind which it represents, is a dead-weight charge on the land and on the results of other people's industry.

*Tithe Act, 1891*

The fall in prices, which followed the Repeal of the Corn Laws and various later developments, brought about a gradual reduction of tithe-rentcharge ; but also brought about a greater and more rapid reduction of the profits out of which it had to be paid. The collection of it gave rise to difficulties ; and the Tithe Act, 1891, transferred the liability for tithe-rentcharge from the tenant to the landlord, the landlord being authorised to recover it from the tenant as additional rent during the remainder of any then-existing lease, and new leases being made in view of its being payable by the landlord. It was necessary to place some limit on the proportion which tithe-rentcharge might absorb, and section 8 of the Act provided that where it was shown that the tithe-rentcharge on a property for any year exceeds two-thirds of the annual value of that property as ascertained for the purposes of Schedule B of the Income Tax, the excess should be remitted. If it had not been for this provision, tithe-rentcharge might, in some cases, have swallowed everything else.

*Tithe Act, 1918*

The war, by increasing the prices of corn, increased the value of tithe-rentcharge, so that the value of £100 tithe-rentcharge (the standard of 1836) rose from £74, 16s. 4d. for 1914 to £109, 3s. 11d. for 1918. The Tithe Act, 1918, then fixed it at that value for the next seven years, and provided that after the expiry of that period the value should be based on the average of the preceding fifteen years. On the whole, this Act is in favour of the tithe-owner as against the other interests in the land. It certainly prevents tithe-rentcharge from exceeding the amount mentioned for the specified period of years; but we should bear in mind that the Act of 1891 had already restricted tithe-rentcharge to two-thirds of the annual value of the tithed property as ascertained for Schedule B; and the extension of the averaging period from seven to fifteen years will make the war prices affect tithe-rentcharge in favour of the tithe-owner for eight years longer than they would otherwise have done.

*Amount of Tithe-rentcharge*

The annual amount of tithe-rentcharge charged on titheable lands in England and Wales by the general commutation of tithes under the Act of 1836 was a little more than £4,054,000; and it has now been reduced by redemption, merger, and otherwise, to about £3,389,000, of which probably about £2,000,000 is attached to benefices.<sup>1</sup> These figures are stated on the 1836 basis; and it will be seen that the increase in the value of each £100 tithe-rentcharge from less than £75 in 1914, when the war began, to more than £109 now, has had the effect of increasing the annual amount of it by about £900,000 a year, of which about £500,000 represents the increase of tithe-rentcharge attached to benefices. Thus the tithe-owners, though they do nothing to assist production,

<sup>1</sup> 160 *H. C. Debates*, 1462, 27th February 1923.



have been considerably enriched by the war at the expense of the other interests in the land.

*Tithe-rentcharge (Rates) Act, 1899*

The Agricultural Rates Act, 1896 (mentioned in the preceding Note), which made the taxpayers pay half the rates on agricultural land, was followed by the Tithe-rentcharge (Rates) Act, 1899, which made them pay half the rates on tithe-rentcharge attached to benefices in a somewhat similar way. This development had not even the lame excuse of relieving the producer of some of his rates; because the tithe-owner, whether the holder of a benefice or otherwise, plays no part in production. It was simply an endowment of benefices to which tithe-rentcharge was attached, by relieving the holder of half his rates on the attached tithe-rentcharge at the expense of the general taxpayers. Even those who regarded the fact of £100 tithe-rentcharge having fallen to nearly £66 for 1899 as a sufficient excuse for granting this dole then, must admit that the fact of its having risen to £109 is a sufficient reason for discontinuing it now. But, though tithe-rentcharge has increased by more than 40 per cent. since 1899, no steps have been taken to relieve the taxpayers of the dole. Indeed, owing to the increase in tithe-rentcharge and also to the increase of the rates, this dole, which had never been as much as £177,000 in any financial year before the war, had increased to more than £418,000 for the financial year 1922-23.<sup>1</sup> The more the tithe-owners get, the more the taxpayers have to pay towards relieving them of the rates on it!

*An Ingenious Device*

If the Tithe-rentcharge (Rates) Act had, like the Agricultural Rates Acts, to be expressly renewed every year by

<sup>1</sup> See Table 162 of *Inland Revenue Report for 1914-15*, and 163 *H. C. Debates*, 1392, and May 1923.

the Expiring Laws Continuance Act, it might have been challenged easily and effectively. But the government of the day adopted the ingenious plan of providing in this Act that it should continue in force as long as the Agricultural Rates Act; so that the annual continuance of that Act continues this Act also, without even its name appearing. Probably the simplest way of dealing with it would be, when the next Expiring Laws Continuance Bill comes before the House of Commons, for some enterprising Member to move an amendment at an appropriate stage that the continuance of the Agricultural Rates Act, 1896, should not effect any further continuance of the Tithe-rentcharge (Rates) Act, 1899, which should cease to operate and should be repealed as from the end of that financial year.

#### *Course of Reform*

The proposals already made as regards the taxation and rating of landed properties point the way for the further treatment of tithe-rentcharge. The tithe-owner should no longer be permitted to levy a toll on the results of other people's industry, and tithe-rentcharge should not be allowed to exceed the annual land-value of the land on which it is charged. The tithe-owner should be required to contribute to the Land-value Tax on the principles of proportional contribution; if his tithe-rentcharge absorbs the whole of the land-value, he should pay the whole of the Land-value Tax; if it absorbs only a portion of it, he should pay a corresponding portion of the tax; and the same rules should apply in relation to land-value rating. All tithe-rentcharge should be dealt with in the same way, whether it is attached to a benefice or is otherwise appropriated. Whoever is the receiver of the tithe-rentcharge, its origin, character, and results are the same, and it should be treated without respect of persons. What has been said of ordinary tithe-rentcharge applies equally to extraordinary tithe-rent-

charge, substituted by the Tithe Commutation Act, 1836, for extraordinary tithe on hop-grounds, orchards, fruit plantations, and market gardens.<sup>1</sup> The imposition of extraordinary tithe or tithe-rentcharge on these further developments was described justly as "an impediment to agriculture" by the Extraordinary Tithe Redemption Act, 1886, which, among other things, provided in s. 4 (5) that ground newly cultivated in these ways after the passing of that Act should not be made subject to that charge. It may be added that tithe-rentcharge, whether attached to a benefice or not, is included by the Law of Property Act, 1922, among the "legal estates" in land (see Note N.).

#### *Scottish Teinds*

In Scotland the teinds were the equivalent of the tithes in kind, and what are now known as "valued teinds" are money payments in place of teinds in kind, and correspond roughly to tithe-rentcharge, though their amount is ascertained in a different way. In its main features, however, the system is of the same general character and has the same disadvantages as the other, and it should be dealt with along the same lines. The war-prices, of course, operated to increase the amount of the valued teinds; but in Scotland there is no Act corresponding to the Tithe-rentcharge (Rates) Act, 1899.

### NOTE L.—AGRICULTURE AND GAME

#### *Safeguarding Agriculture*

If we are to "make the land less of a pleasure-ground for the rich and more of a treasure-house for the nation," we ought, among other things, to authorise the occupier or cultivator to kill and take any game which comes on to his land and damages his crops.

<sup>1</sup> The Tithe Act, 1891, already mentioned, does not apply—see s. 9 (2)—to extraordinary tithe-rentcharge.

*Legal Rights in Respect of Game*

In law, speaking generally, the animals and birds that come under the description of "game" are wild: they are not the property of anyone till they are killed or taken; and, apart from certain special provisions, no one is responsible for any damage that they do. But the legal right to kill and take them is limited by law to particular persons. In England the occupying owner (to take the simplest case) has the sporting rights—to give them their ordinary name—and if the owner lets the land to a tenant, the sporting rights are assumed to pass to the tenant unless they are specially reserved. In Scotland an Act of 1621 (c. 31) limited the rights of hunting and hawking to those who have "a plough of land in heritage"; and as a tenancy, however long, does not come within this description, the sporting rights do not pass to the tenant unless they are specially included in the lease. In either country the holder of the sporting rights, in the absence of contrary agreement, can let them to some third party, who is generally known as the shooting tenant. In both countries, moreover, the landowner can decline to let the land except on his own terms; so that, for practical purposes, in both countries, the sporting rights are an incident of land-ownership.

*The Ground Game Acts, etc.*

The need of giving better protection to occupiers of land against injury to their crops from ground game led to the passing of the Ground Game Act, 1880, which conferred on every occupier of land in the United Kingdom "as incident to and inseparable from his occupation of the land, the right to kill and take" hares and rabbits thereon, "concurrently with any other person who may be entitled to kill and take" them on the same land, subject to certain qualifications; and this Act was supplemented by the Ground Game (Amendment) Act, 1906. The provisions

for damage by deer and winged game are much less adequate. The Agricultural Holdings Act, 1908, s. 10, and the Agricultural Holdings (Scotland) Act, 1908, s. 9, give the tenant who is not entitled to kill game the right to claim compensation from his landlord for damage done by game, subject to certain conditions ; and for the purposes of these latter Acts " game " is defined to mean " deer, pheasants, partridges, grouse, and black game." This right to claim compensation for the damage is not nearly so satisfactory as the simple remedy by direct action.

#### *Defence of the Realm Regulations*

During the war, under the Defence of the Realm Regulations, No. 2R, the Board of Agriculture made the Destruction of Pheasants Order, No. 514 of 1917, empowering certain authorities, where pheasants were causing damage to crops, to authorise occupiers to kill them on behalf of the Board ; but this Order has now lapsed. Also, during the war, under the Defence of the Realm Regulations, No. 2Q, the Board of Agriculture for Scotland made the Order, dated 15th January 1917, authorising " the occupier of any agricultural holding in Scotland to kill by any means available any deer that are trespassing on his grazings or causing injury to his crops." That Order was revoked and superseded by the Killing of Deer (Scotland) Order, 1918, made by the same authority on 27th September 1918, which provided that :

" The occupier of any agricultural holding in Scotland is hereby authorised to kill by any means available deer that are trespassing on his grazings or causing injury to his crops :

Provided that, where the Board are of opinion that the powers conferred by this Order are being abused by any such occupier, they may by notice served upon him suspend the operation of the said powers as regards his holding."

This Order has now lapsed, with the general lapse of the Defence of the Realm Regulations, and, notwithstanding the recommendations of the Game and Heather-burning (Scotland) Committee, 1921 (Cd. 1401, at pp. 11, 33), there is not yet any further legislation of a like character; so that the occupier is now in the same position in respect of damage by deer as he was before the war.

#### *Damage by Deer*

It has often been suggested that winged game should be brought within the provisions of the Ground Game Acts. With regard to deer, it may be mentioned that the present writer, when a Member of the House of Commons, drafted and introduced the Ground Game (Inclusion of Deer) (Scotland) Bill, 1913, which was designed to bring deer within the Ground Game Acts in Scotland, and had among its supporters Mr Robert Munro, M.P. (now Lord Alness, Lord Justice-Clerk) and Mr (now the Right Hon.) Ian Macpherson, M.P. But that Bill got no farther; though the long-standing grievance that it was intended to remedy became aggravated during the war, and was dealt with temporarily by the deer-killing Orders just mentioned. Whatever be the method adopted, the occupier should be given the right to deal directly with deer that are doing damage to his holding. Provisions for claiming compensation afterwards are no satisfactory alternative, and in practice they raise all sorts of difficulties, particularly to the poor man. Nor should we allow the real remedy to be side-tracked by proposals for the compulsory fencing of deer-forests. The question still remains whether, if the deer break bounds—as may happen in consequence of difficult ground, or of failure to keep the deer-fences efficient, or of the deer swimming across some boundary loch—and damage a holding, the occupier of that holding is to be allowed to deal with them directly or not. Moreover, to give the occupier the right

to deal with them directly would be the most effective way of inducing the deer-preservers to fence their deer-forests.

#### *Outflanking the Ground Game Acts*

The Ground Game Acts give the occupier an inalienable right to kill and take the ground game, and make void any contract to the contrary.<sup>1</sup> But landlords can circumvent these provisions by asking a higher rent than they otherwise would, with a view (which is understood by both parties, but forms no part of the contract) to making a voluntary reduction of a corresponding amount when the rent becomes due, if in fact the tenant has left the ground game to them, and by declining to let the land except at this higher rent. This procedure is facilitated by the favourable treatment that the present rating and taxation gives to properties so long as they have no occupier in the technical meaning of the word, and by the prevalence of yearly tenancies. So long as these conditions are allowed to continue, the reform of the game laws must be to a great extent illusory. Thus, even from this point of view, it is important that those who hold the land should be rated and taxed on its real market value, whether it is technically occupied or not, and that the tenants should have security of tenure. The rating and taxation of land-values would ensure the first result directly; and it would conduce to the second, because the liability to pay rates and taxes on the land-value continually, even though the land is unused and unlet, would incline landlords to continuous tenancies at continuous rents.

#### *"Sport" v. Agriculture*

In considering questions relating to "game," we should, of course, bear in mind that the birds and animals which

<sup>1</sup> In the above-mentioned sections of the Agricultural Holdings Acts, relating to compensation for damage by deer and winged game, there is a similar provision making void any agreement to the contrary, which can be circumvented in much the same way.

are regarded as game are "preserved," and in some cases bred, in order that the game-preservers and their friends, or their shooting-tenants, may enjoy the "sport" of shooting them.<sup>1</sup> It is strange that people should still find pleasure in shooting timid and defenceless creatures, killing some and, incidentally, wounding and maiming others. But the present point is that they should not be allowed to preserve and breed game for their own "sport" at the expense of other people's crops, and that those whose crops are being damaged by the game should be entitled to protect them by dealing with the game directly.

#### *Close-times*

A few words may be added with reference to close-times. There is no close-time in this country for deer, the period for deer-stalking being left to the owners of the deer-forests. Nor is there any close-time for hares and rabbits; though by the Hares Preservation Act, 1892, it is unlawful to sell or expose for sale in Great Britain any hare (except imported foreign hares) between March and July, both months inclusive. The right of the occupier to kill and take ground game on moorlands (as distinguished from enclosed arable lands) under the Ground Game Acts is also limited in point of time. The close-times for various birds that are regarded as "game" are fixed by various statutes, mainly in the interests of "sport." If it is desirable to have statutory close-times for game birds, these birds, like various other wild birds, should be brought within the Wild Birds Protection Acts, under which close-times are provided with a view to the conservation of bird-life, having proper regard to the interests of agriculture. Against such provisions there is no objection; and legislation along these lines is welcome to all lovers of bird-life.

<sup>1</sup> The economic aspect of pheasant shooting has been described in the saying, "Up flies a guinea, off goes a penny, and down comes half-a-crown."



*Foxhunting*

The preservation of foxes and the passing of the hunt over land interfere with the extension of poultry-farming and thorough cultivation. The voluntary compensations, moreover, seldom cover the damage actually done, and take no account whatever of the general hindrance to economic development. In law, of course, foxes are vermin, and the occupier of land can kill foxes on it and can prevent trespass by the hunt; but in practice most of the occupiers have the land on short terms, and if they were to exercise these rights they would soon get notice to quit. Land-value policy would do much to better the position by promoting security of tenure, by encouraging improvements, and by rating and taxing each property on the fee-simple value of the land instead of merely on its occupation value under hunting conditions. It should also be remembered that the hunting of any animal preserved for that purpose involves a certain amount of cruelty; whilst there are many manly sports which are free from this taint.

## NOTE M.—COMPULSORY ACQUISITION OF LAND

*The Question of Price*

Where land is acquired by public authorities under compulsory powers, its capital land-value, as ascertained and agreed for purposes of taxation, should be the basis of the purchase price, the compensation for any improvements (see p. 91) being settled by agreement or, failing agreement, by arbitration. There is seldom any real difficulty about the improvements. The substantial question always is as to the price that should be paid for the land. Compulsory purchase under statutory powers ought to be regarded as a matter for fair compensation rather than as an opportunity for profiteering.

*Parliamentary Recommendations*

The House of Commons Committee on Public Accounts (Report, 1917, H.C. Paper, 123, p. 10.) have drawn attention to the payment of exorbitant claims and to the way in which Government Departments suffer at the hands of local arbitrators. The Royal Commission on Housing in Scotland (Report, 1917, Cd. 8731, p. 265) have recommended that, in arbitrations as to the amount that should be paid by local authorities for land taken compulsorily, "valuations made under the Finance (1909-10) Act, 1910, be held as *prima facie* evidence of the value, but that it should be open to either party to adduce proof of their inaccuracy or of a change of circumstances since the date of valuation." The Committee on the Acquisition and Valuation of Land for Public Purposes (Report, 1918, Cd. 8998) have recognised the way in which the public authorities are exploited and have made various recommendations for improving the machinery in such cases.

*Need of Reform*

The Land Clauses Acts have proved to be a mechanism for preposterous claims, and the appointment of standing official arbitrators at a combined salary of about £5000 a year under the Acquisition of Land (Assessment of Compensation) Act, 1919, fails to touch the real point. There is no general valuation of land-values to guide the arbitrators; every facility is given for the holding-up of land at high prices, however low it may be valued for rating and taxation; and the arbitrators have to fix arbitrarily on something between what the proprietor has asked and what the purchasing authority has offered. The first step to reform is to have a general valuation of land-values for the purposes of rating and taxation, and the second is to treat that valuation as the basis of the price in the event of acquisition under compulsory powers. Incidentally, also, this policy would operate

as an automatic check on attempts to reduce the valuations unduly.

*Importance of Land-value Policy*

The taxation and rating of land-values ought to precede any further land-purchase with public money, partly in order to break down the withholding of land from use which keeps the prices artificially high, and partly because, as already said, the valuations for taxation and rating ought also to be the valuations for purchase. Moreover, the purchase of land by the public should be limited to those cases where it is wanted for the direct use of the public as a whole, or of the public authorities. So far as land for small holdings and other purposes is concerned, it has already been shown that the proposed reform of land taxation would lead to a reformed system of land-tenure, which would be in every way superior to State-aided land-purchase (see Chapter V).

NOTE N.—LAW OF PROPERTY ACT, 1922, s. 1

(The Law of Property Act, 1922, which comes into operation at the beginning of 1925, will do much to simplify the English law of landed property. Section 1, which is set out here, classifies the various rights into "legal estates" and "equitable interests," and the distinction between these two classes is a fundamental feature of the Act. This new system will facilitate land-value legislation in England and Wales; as—except in certain well-defined cases—it will be sufficient to take account only of the persons entitled to "legal estates," the persons entitled to "equitable interests" being in much the same position as the beneficiaries under trust settlements.)

*"Legal Estates," "Equitable Interests," etc.*

1.—(1) The only estates, interests or charges in or over land which, after the commencement of this Act, shall be

capable of subsisting or of being conveyed or created at law shall consist of—

- (a) An estate in fee simple absolute in possession :
- (b) A term of years absolute :
- (c) An easement, right, or privilege in or over land for an interest equivalent to a like estate or term :
- (d) A like estate or term in mines and minerals, apart from the surface, or in the surface apart from the mines and minerals :
- (e) A rentcharge in possession issuing out of or charged on land being either perpetual or for a term of years absolute :
- (f) Land tax, tithe rentcharge, and any other similar charge on land which is not created by an instrument :
- (g) Rights of entry exercisable over or in respect of a legal term of years absolute, or annexed, for any purpose, to a legal rentcharge.

And all other estates, interests, and charges in or over land (including fees determinable whether by limitation or condition) which at or after the commencement of this Act were, or but for this section would have been, legal estates, interests or charges, or capable of taking effect as such are hereby converted into or shall take effect as equitable interests.

(2) The estates, interests, and charges, which under this section are authorised to subsist or to be conveyed or created at law are (when subsisting or conveyed or created at law) in this Act referred to as "legal estates," and the owner of a legal estate is referred to as "an estate owner" and his legal estate is referred to as his estate.

(3) A legal estate may subsist concurrently with or subject to any other legal estate in the same land in like manner as it could have done if this Act had not been passed.

(4) A legal estate shall not be capable of subsisting or of

being created in an undivided share in land, and in this Part of this Act "land" does not include an undivided share therein unless the context so requires.

(5) Every power of appointment over, or power to convey or charge land or any interest therein, whether created by a statute or other instrument or implied by law, and whether created before or after the commencement of this Act (not being a power vested in a legal mortgage or charge by way of legal mortgage or an estate owner in right of his estate and exercisable by him or by another person in his name and on his behalf), shall after such commencement operate only in equity.

(6) *Easements, interests, and charges in or over land which are not legal estates are in this Act referred to as "equitable interests,"* and powers which by this Act are to operate in equity only are in this Act referred to as "equitable powers."

(7) The Statute of Uses and section sixty-two of the Conveyancing Act, 1881, are hereby repealed, and the provisions in any statute or other instrument requiring land to be conveyed to uses shall take effect as directions that the land shall (subject to creating or reserving thereout any legal estate authorised by this Act which may be required) be conveyed to the proper person of full age upon the requisite trusts.

(8) This section shall take effect subject to the express savings and exceptions contained in this Part of the Act.

*NOTE.—There are also similar provisions in s. 188 (13) and (14) of the Act.*

## NOTE O.—SIMPLIFICATION OF TITLE TO LAND

### *Title founded on Possession*

"In English Law," says a standard textbook, "all title to land is founded on possession. Thus a person who is in possession of land, although wrongfully, has a title to the land which is good against all except those who can show a

better title.”<sup>1</sup> This proposition was stated by Lord Chief Justice Cockburn in these words :

“ I take it to be established by authority that possession is good against all the world except the person who can show a better title than the one in possession.”<sup>2</sup>

Thus in the case of land, as in the case of a chattel,<sup>3</sup> the law protects the possessor against all except those who can show a better title, and the person who seeks to displace the possessor must found his claim, not on the weakness of the possessor's title, but on the strength of his own.

#### *Time-limit to Claims*

The same considerations that have led to the placing of time-limits to various other legal processes, have led to the placing of a time-limit (though in this case it is longer) on the recovery of land. Thus, again to quote the same text-book, besides giving a title which is good against all except those who can show a prior and better title, the possession of land

“ continually tends to bar the rights of all who have such prior title. For if those who are rightfully entitled to land take no steps to assert their rights within the period prescribed by statute, their remedies will be barred and their title extinguished. So that possession of land for the prescribed period will give a good title thereto as against all the world.”<sup>4</sup>

These fundamental propositions were summarised thus by Lord Macnaghten in delivering a judgment of the Privy Council :

“ It cannot be disputed that a person in possession of land in the assumed character of owner and exercising

<sup>1</sup> *Williams on Real Property*, 23rd ed., 1920, p. 637.

<sup>2</sup> *Asher v. Whitelock*, 1865, 35 L.J., Q.B. 17, at p. 20.

<sup>3</sup> *Armory v. Delamirie*, 1722, 1 Str. 504.

<sup>4</sup> *Williams on Real Property*, 23rd ed., 1920, p. 638.

peaceably the ordinary rights of ownership has a perfectly good title against all the world but the rightful owner. And if the rightful owner does not come forward and assert his title by process of law within the period prescribed by the provisions of the Statute of Limitations applicable to the case, his right is for ever extinguished, and the possessory owner acquires an absolute title.”<sup>1</sup>

#### *The Limitation Period*

The English Statute applicable to the case is the Real Property Limitation Act, 1874, which prescribes the period for cases of land and rent at twelve years normally, with extensions where the entitled person is under disability resulting from coverture, infancy, or unsoundness of mind; but fixes a maximum period of thirty years. The disability from coverture—the special status of a married woman—was virtually abolished by the Married Women’s Property Act, 1882,<sup>2</sup> and the other disabilities will in practice be removed by the provisions of the Law of Property Act, 1922 (s. 13 and Schedule 6), that in such cases the legal estate shall be vested in some competent person as trustee. In these circumstances the twelve-year time-limit might, with advantage, be made applicable to all cases as from the commencement of the Act of 1922.

#### *Registration of Title*

Title to land must not, of course, be confounded with title-deeds, which are the usual evidence of it. A good title can be acquired without any title-deeds under the Act of 1874 already mentioned; and, in fact, some of the strongest titles rest on the continuity of what is conventionally called ownership for far longer than the statutory period. The great defect of the English system is that—outside London, Middlesex, Yorkshire, and the Bedford Level district—there is no general system for the public registration of title to

<sup>1</sup> *Perry v. Clissold*, 1907, A.C. 73, at p. 79.

<sup>2</sup> See also ss. 74, 75 of the Law of Property Act, 1922.

land, so that it is often difficult and costly to ascertain who are the persons from whom a valid title can be obtained ; and there are not a few instances in which the best obtainable title is not satisfactory. The provisions of the Land Transfer Acts as to registration were open to several objections. The Law of Property Act, 1922, amends them in various respects and prepares the way for a general system of registration, which may be introduced some ten or twelve years after the commencement of that Act and which will probably provide for the registration of titles to what that Act classifies as " legal estates." Such a system, coupled with a twelve-year limitation period for all cases, would do much to simplify title to land.

#### *Priorities*

Any difficulties as to compulsory registration might be avoided by applying the simple rule—which is the foundation of registration in Scotland<sup>1</sup>—that, in case of competition between them, titles should have priority according to the dates of their respective registrations. At first, this rule should apply only to titles dating from after the commencement of registration ; but, after the lapse of the twelve-year limitation period, it should apply to all titles, whether dating from before or after that commencement. Under these conditions, people would register their titles in their own interests, and, after registration had been in force for twelve years, there would be no danger from unregistered titles. The registered titles to each property would be arranged in the order of their priority, the estate in fee-simple—or any other legal estate that is charged upon it—coming first, and the other legal estates being arranged in descending order.

#### *Tax-collection from Crown-tenant*

When this stage of registration has been reached, it will be possible to reverse the process of collection described in

<sup>1</sup> As regards England and Wales, see s. 28 of the Land Transfer Act, 1875, and s. 14 of the Yorkshire Registries Act, 1884.



Chapter XIII, and to adopt the more logical and convenient plan of collecting the Land-value Tax as a rent payable to the Crown directly from the person who has the highest title to the land, and may therefore be regarded as holding it of the Crown. If he is in occupation of the land, or if he has leased it to someone else at an annual rent equal to or greater than the land-value, the incidence of the tax would remain on him; if he has leased it to someone else at an annual rent less than the land-value, he should be entitled, on the principles of proportional contribution (see Chapter XIV), to recover from his tenant as additional rent a proportion of the tax corresponding to the proportion of the annual land-value that is not covered by the annual rent; and so on in descending order, the process being carried as far as required—and it would seldom have to be carried very far.<sup>1</sup>

#### *Payers and Defaulters*

If the holder of the highest registered title to the land fails to pay the tax within a certain time, his title should be deleted from the Register, and the application for payment should be made to the next highest; and so on, until either payment is made or all the holders of registered titles fail to make payment, in which case all their titles should be deleted from the Register, and the Crown should credit itself with making payment, receiving thereupon the same rights as any other payer. The rights of the payer should be these: he should be entitled to hold the land as against any higher or adverse title (whether unregistered or deleted from the Register) which had not met the obligations, and no such title should be permitted to be set up against him in any way, until after the holder of it had applied for registration or re-registration, and had accompanied that application by payment into the Registry of an amount equal to all the payments that had been made by the payer, with interest

<sup>1</sup> Land-value rates might be similarly collected, with a corresponding reversal of the scheme of adjustment suggested on p. 110.

thereon at 5 per cent. per annum, compound interest, apportionable for less periods at the rate of 1*d.* for every £1 or fraction of £1 for each month, or fraction of a month; such payment, of course, to be registered, and to be passed on by way of repayment to the person who has been paying the tax. If the holder of any title is in default for more than twelve years, his right to apply for registration or re-registration should expire, and his title should be deemed to be extinguished.

#### *The General Linking-up*

When the progress of registration makes it practicable, this system would link together tax-payments, tenure, and title to land. It would secure the direct payment of the Land-value Tax (or Crown rent) of each portion of land from the person who is in the position of holding it from the Crown. It would lead to the general registration of title, and would use the payer's payments to fortify his title against those who have failed to meet their obligations. It would also cause payments of the tax to be made promptly and by the right persons, and would enable the state of both titles and tax-payments in respect of any property to be ascertained with simplicity and certainty from the Register.

#### *Title to Land in Scotland*

In Scotland, where also the land laws have developed from the feudal system, there is already a satisfactory system of registration. It was set on foot as regards "sasines"—corresponding to "scisins" in English Law—by the Scots Act of 1693, c. 22, which laid down the rule that real rights "shall in all competitions be preferable and preferred according to the date and priority of the registrations of the sasines." This principle was also applied in the Registration of Leases (Scotland) Act, 1857, and to the registration of real burdens on land, by the Conveyancing (Scotland) Act, 1874, s. 30. As a result, the Land-value Tax might, in Scotland,

P.—LAND-VALUES OF VARIOUS PLACES 167

be collected directly, even now, from the subject-superior or other person who is in the position of holding the land of the Crown. The system, moreover, would be improved by the use of the payer's payments to fortify his title, and it would be further improved if the periods for positive and negative prescription were shortened and unified.

NOTE P.—LAND-VALUES OF VARIOUS PLACES.

The following table shows the population, the capital land-value, and the capital land-value per head, in various places where the land-value standard has been adopted.

Place.	Population.	Land-value.	Land-value per Head.
New Zealand (including these four cities):	1,248,216 <sup>1</sup>	£ 309,523,821	£ 248
Wellington . . . .	91,581	15,037,127	163
Auckland . . . .	84,874	16,422,282	193
Christchurch . . . .	74,621	8,545,902	114
Dunedin . . . .	59,061	5,452,568	92
New South Wales (including Sydney and its suburbs)	2,076,918	229,858,000	110
Sydney and its suburbs .	1,000,382	89,672,000	89
Queensland (including Brisbane)	763,277	68,402,342	89
Brisbane . . . .	44,151	7,826,102	177
Johannesburg . . . .	154,213	14,679,577	94
	\$	\$	\$
Ottawa . . . .	116,205	55,673,285	479
Toronto . . . .	529,083	339,243,869	641
Hamilton . . . .	120,235	46,787,460	389
Winnipeg . . . .	183,378	144,184,640	788
Vancouver . . . .	117,000	132,451,815	1132
New York City . . . .	6,141,145	4,920,050,000	807
Boston . . . .	800,000	758,944,900	946
Pittsburgh . . . .	625,000	479,850,740	770

<sup>1</sup> Not including Maoris, who number about 52,750.

What is here called "capital land-value" is called in different places by different names, such as "site value" and "unimproved land-value." There are also considerable variations both in the definitions and in the practice of valuers in different places. This table is based on the latest available figures (January 1924), and in compiling it I have received valuable assistance from the Land-values Information Bureau of the United Committee for the Taxation of Land-Values (11 Tothill Street, London). Mr A. W. Madsen, B.Sc., tabulated earlier statistics of somewhat similar character in Appendix 1 of his *Land-value Rating* (1920).

#### NOTE Q.—PROBABLE LAND-VALUE OF GREAT BRITAIN

##### *Withholding of Information*

In the absence of direct statistics, any estimate of the probable land-value of Great Britain is largely a matter of inference. The "full site values" as defined by s. 25 of the Finance (1909-10) Act, 1910, correspond nearly with capital land-values, except that they do not include minerals. These full site values have been ascertained at public expense; but Mr Bonar Law, when Chancellor of the Exchequer, repeatedly declined to have their aggregate ascertained and stated, on the ground that it would cost too much (101 *H.C. Debates*, 2094; 108 *H.C. Debates*, 1463; 133 *H.C. Debates*, 229). He also declined to accede to the requests from the municipal authorities of Glasgow, Manchester, and several other places to furnish them with the aggregates of the full site values in their respective areas, on the ground that it would make too great demands on the time and labour of the land valuation officers (136 *H.C. Debates*, 2114, 23rd December 1920).

##### *Surface Values*

From time to time, however, the "aggregate total value of land included in the provisional valuations" has been

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given in the annual reports of the Commissioners of Inland Revenue, and in their report for the year ended 31st March 1920 (Cd. 1083, at p. 93), which notes the repeal of the Duties for which these valuations were made, this aggregate is given as £5,267,911,362. "Total value," however, is a highly technical expression; it is defined in s. 25 (3) of the Act; and it represents what is called the "gross value"—which includes improvements—after deduction from it of the value of tithe-rentcharges, rentcharges, and other fixed charges, as well as of the values covered by certain restrictive covenants, etc. The "total values," like the other values defined in s. 25, do not include mineral values. These "total value" figures, therefore, relate only to the surface-land of Great Britain; and they suggest that the "full site values" of that surface-land would probably be found to aggregate more than £3,000,000,000.

### *Mineral Values*

To estimate the value of the mineral rights is no less difficult. The annual rental value of the rights to work minerals and of mineral wayleaves, as defined in s. 20 of the Finance (1909-10) Act, 1910, now chargeable to Mineral Rights Duty in Great Britain is about £4,000,000,<sup>1</sup> which, if capitalised on an average of fifteen years' purchase, represents a capital value of more than £60,000,000. But it should be remembered that these figures do not include the rental value of minerals which are not being leased or worked, and that they do not include in any case common clay, common brick earth, sandstone, chalk, limestone, or gravel. These figures, however, are almost the only figures that we can have. The aggregate of what is called the "total value of minerals" does not help us, because of the very limited interpretation of

<sup>1</sup> On which the Mineral Rights Duty for that year, at 1s. in the £, is about £200,000; 161 *H. C. Debates*, 1294, 13th March 1923; 163 *H. C. Debates*, 1397, 2nd May 1923.

this expression in ss. 22, 23 of the Act. Nor are the statistics in the First Census of Production (Cd. 6320, 1912-13) of much assistance for this purpose, because they give the value of the minerals when obtained, and do not give the value of the rights to obtain them.

#### *General Considerations*

On the whole, there is good reason to think that the capital land-value of Great Britain, including mineral rights, will be found to aggregate considerably more than £3,100,000,000; which, for a population of nearly 43,000,000 people, works out at rather more than £70 a head.<sup>1</sup> This figure is lower than any of those mentioned in the preceding Note, and is probably somewhat under-estimated. It takes time to get any new system of valuation to work with smoothness and accuracy. At the outset, the desire to avoid over-valuation is apt to produce under-valuation; while increased practice, checked by the data of transactions, gradually leads to greater accuracy in the valuations.

#### *Inclusion of Minerals with Surface*

The general exclusion of mineral rights from the "gross values," the "full site values," and the other values defined in s. 25 of the Finance (1909-10) Act, 1910, was one of the results of the complicated character of the land taxes imposed by that Act. Under the system here proposed the valuations, whether of capital land-value or of annual land-value, would include the right to the minerals and all the other rights that attach to the fee-simple, except where and in so far as these rights have been severed from the fee-simple, in which case they would be valued and taxed as separate subjects, but on the same general principles as the fee-simple.

<sup>1</sup> These figures, as will be seen, relate only to so much of the land-value as is in private hands, and do not include the portion absorbed by the rates and taxes (see pp. 87-89).

## NOTE R.—PRACTICAL ASPECT OF POLITICAL ECONOMY

Political Economy has to do with the well-being of the community, and should serve the cause of practical reform. We ought not to regard it as merely abstract and academic, or to adopt the attitude that seems to have been taken by the chairman at the opening session of a recent summer school, who is reported to have said that "the aims of the school were to stimulate the discussion of principles, not to find solutions to current problems."<sup>1</sup> It recalls the story told of a certain Savilian Professor of Geometry in bygone days, who took an anti-utilitarian view of mathematics, and once proposed the toast, "Pure mathematics, may it never be of any use to anyone!"<sup>2</sup> Nothing is more fatal to progress than the divorcement of thought from action, of theory from practice. Lord Kelvin struck a true note when he said: "There cannot be a greater mistake than that of looking superciliously upon practical applications of science. The life and soul of science is its practical application."<sup>3</sup> These words are as true of political economy as of any other science.

<sup>1</sup> See the *Daily News*, 3rd August 1923.

<sup>2</sup> Professor Cajori's *History of Mathematics*, 2nd ed., 1919, pp. 441-442.

<sup>3</sup> *Popular Lectures and Addresses*, 1891 ed., vol. i. p. 86. Similarly also, in the words of Sir J. R. Seeley, "History fades into mere literature when it loses sight of its relation to practical politics" (*The Expansion of England*, 1883, p. 166).

## APPENDIX

### NOTABLE SAYINGS

#### Our Birthright

“ The Earth hath He given to the children of men.”

PSALM CXV, 16.

#### Profit of the Earth for All

“ The profit of the Earth is for all : the king himself is served by the field.”

ECCLESIASTES, v, 9.

#### The Mother-Earth

“ The Land is *Mother* of us all ; nourishes, shelters, gladdens, lovingly enriches us all ; in how many ways, from our first wakening to our last sleep on her blessed mother-bosom, does she, as with blessed mother-arms, enfold us all ! . . . Properly speaking, the Land belongs to these two : to the Almighty God ; and to all his Children of Men. . . . It is not the property of any generation, we say, but that of all the past generations that have worked on it, and of all the future ones that shall work on it.”

THOMAS CARLYLE, *Past and Present*, iii, 8.



### Nature's Full Blessings

" If every just man that now pines with want  
Had but a moderate and beseeeming share  
Of that which lewdly-pampered Luxury  
Now heaps upon some few with vast excess,  
Nature's full blessings would be well dispensed  
In unsuperfluous even proportion,  
And she no whit encumbered with her store."

MILTON, *Comus*, 768-774.

### The Bottom Question

" This land question is the bottom question. Man is a land-animal."

HENRY GEORGE, *The Crime of Poverty*.

### The Herd of Cows

" Certain persons have driven a herd of cows, on whose milk they live, into an enclosure. The cows have eaten and trampled the forage, they have chewed each others' tails, and they low and moan, seeking to get out. But the very men who live on the milk of these cows have set around the enclosure plantations of mint, they have cultivated flowers, laid out a race-course, a park, and a lawn-tennis ground, and they do not let out the cows lest they should spoil these arrangements. . . . The cows get thin. Then the men think that the cows may cease to yield milk, and they invent various means for improving the condition of the cows. They build sheds over them, they gild their horns, they alter the hour of milking, they concern themselves with the treatment of old and invalid

cows . . . but they will not do the one thing needful, which is to remove the barrier and let the cows have access to the pasture."

LEO TOLSTOY, *A Great Iniquity*.

### The Mythic Earth-tree

"Man is an animal; but he is an animal plus something else. He is the mythic Earth-tree, whose roots are in the ground, but whose topmost branches may blossom in the heavens!"

HENRY GEORGE, *Progress and Poverty*, ii, 3.

### Two Blades of Grass

"He gave it for his opinion, 'That whoever could make two ears of corn, or two blades of grass, to grow upon a spot of ground where only one grew before, would deserve better of mankind, and do more essential service to his country, than the whole race of politicians put together.'"

SWIFT, *Gulliver's Travels*, ii, 7.

### For Whose Benefit?

"Supposing . . . that for every blade of grass that now grows two should spring up, and the seed that now increases fiftyfold should increase a hundredfold! Would poverty be abated or want relieved? Manifestly no! Whatever benefit would accrue would be but temporary. The new powers streaming through the material universe could only be utilised through land. And, land being private property, the classes that now monopolise the bounty of the Creator would monopolise all the new bounty. Landowners would alone be benefited. Rents would increase, but wages would still tend to the starvation point!"

HENRY GEORGE, *Progress and Poverty*, x, 5.

### Disherting their Brethren

“ Oh, what a blessed world were this ! ” she cried,  
 “ But that the great and honourable men  
 Have seized the earth, and of the heritage  
 Which God, the Sire of all, to all had given,  
 Disherted their brethren ! ”

ROBERT SOUTHEY, *Joan of Arc*, i, 168-172.

### A Landless Nation

“ We hear it said, the soil of England, or of any country, is properly worth nothing, ‘ except the labour bestowed on it.’ This, speaking even in the language of Eastcheap, is not correct. The rudest space of country equal in extent to England—could a whole English nation, with all their habits, arrangements, skills, with whatsoever they do carry within the skins of them and cannot be stript of, suddenly take wing and alight on it—would be worth a very considerable thing ! . . . On the other hand, fancy what an English nation, once ‘ on the wing,’ could have done with itself, had there been simply no soil, not even an inarable one, to alight on ? Vain all its talents for ploughing, hammering, and whatever else ; there is no Earth-room for this nation with its talents. . . . Soil, with or without ploughing, is the gift of God. The soil of all countries belongs evermore, in a very considerable degree, to the Almighty Maker ! The last stroke of labour bestowed on it is not the making of its value, but only the increasing thereof.”

THOMAS CARLYLE, *Past and Present*, iii, 8.

### Appropriations

“ ‘ This dog is mine, said these poor children ; there is my place in the sunshine.’ Behold the beginning and the likeness of the usurpation of all the earth.”

BLAISE PASCAL (d. 1662), *Thoughts*, v, 295.

### Beginning of Land Monopoly

“The first person who enclosed a piece of land and be-thought himself to say, ‘This is mine,’ and found people foolish enough to believe him, was the real founder of our social system. What crimes, wars, murders, what miseries and horrors would have been spared to mankind, if somebody had torn down the stakes or filled up the ditch, and had warned his fellows, ‘Beware of listening to this impostor ; you are lost if you forget that the produce is for all, and the earth for no one.’”

JEAN JACQUES ROUSSEAU,

*On the Causes of Inequality amongst Men, 1755.*

### How to Recover the Inheritance

“The earth, in its natural state . . . is capable of supporting but a small number of inhabitants, compared with what it is capable of doing in a cultivated state. And as it is impossible to separate the improvement made by cultivation from the earth itself upon which that improvement is made, the idea of landed property arose from that inseparable connection ; but it is nevertheless true that it is the value of the improvement only, and not the earth itself, that is individual property. Every proprietor, therefore, of cultivated land owes to the community a ground-rent, for I know no better term to express the idea by, for the land which he holds. . . . Cultivation is one of the greatest natural improvements ever made. . . . But the landed monopoly that began with it has dispossessed more than half the inhabitants of every nation of their natural inheritance.”

THOMAS PAINE, *Agrarian Justice, 1797.*

### Improvements on the Land

“You have turned over the soil to a few inches in depth with a spade or a plough ; you have scattered over this pre-

pared surface a few seeds ; and you have gathered the fruits which the sun, rain, and air helped the soil to produce. Just tell me, if you please, by what magic have these acts made you sole owner of that vast mass of matter, having for its base the surface of your estate, and for its apex the centre of the globe ? . . . You say truly, when you say that 'whilst they were unreclaimed these lands belonged to all men.' And it is my duty to tell you that they belong to all men still ; and that your 'improvements' as you call them, cannot vitiate the claim of all men. You may plough and harrow, and sow and reap ; you may turn over the soil as often as you like ; but all your manipulations will fail to make that soil yours, which was not yours to begin with. . . . This extra worth which your labour has imparted to it is fairly yours . . . but admitting this, is quite a different thing from recognising your right to the land itself."

HERBERT SPENCER, *Social Statics*, 1851, ix, 4.

### Security of Improvements

"What is necessary for the use of land is not its private ownership, but the security of improvements. It is not necessary to say to a man, 'This land is yours,' in order to induce him to cultivate or improve it. It is only necessary to say to him, 'Whatever your labour or capital produces on this land shall be yours.' Give a man security that he may reap, and he will sow ; assure him of the possession of the house he wants to build, and he will build it. These are the natural rewards of labour. It is for the sake of the reaping that men sow ; it is for the sake of possessing houses that men build. The ownership of land has nothing to do with it."

HENRY GEORGE, *Progress and Poverty*, viii, 1.

### The Work of their Hands

"They shall build houses, and inhabit them ; and they shall plant vineyards, and eat the fruit of them. They shall

not build, and another inhabit; they shall not plant, and another eat: for as the days of a tree are the days of my people, and mine elect shall long enjoy the work of their hands."

ISAIAH, lxxv, 21, 22.

### Nature of Land-value

"The rent of any one portion of soil does not depend on the labour or capital that has been expended on that portion. . . . For instance, if, in the heart of London, a space of twenty acres had been enclosed by a high wall at the time of the Norman Conquest, and if no man had ever touched that portion of soil, or even seen it from that time to this, it would, if let by auction, produce an enormously high rent."

P. E. DOVE, *Elements of Political Science*, 1854, p. 283.

### The Well-provisioned Ship

"It is a well-provisioned ship, this on which we sail through space. If the bread and beef above decks seem to grow scarce, we but open a hatch and there is a new supply, of which before we never dreamed. And very great command over the services of others comes to those who as the hatches are opened are permitted to say, 'This is mine!'"

HENRY GEORGE, *Progress and Poverty*, iv, 2.

### All from the Earth

"Suppose you want to build a house; can you build it without a place to put it? What is it built of? Stone, or mortar, or wood, or iron—they all come from the earth. Think of any article of wealth you choose, any of those things which men struggle for, where do they come from? From the land. It is the bottom question. The land question is simply the labour question; and when some men own that

element from which all wealth must be drawn, and upon which all must live, then they have the power of living without work, and, therefore, those who do work get less of the products of work."

HENRY GEORGE, *The Crime of Poverty*.

### To see how Things are shared

"It's hardly in a body's pow'r  
To keep, at times, frae being sour,  
To see how things are shar'd."

BURNS, *Epistle to Davie*.

### Land and Labour

"Political economists have insisted much on the small matters that affect the value of labour. By far the most important is the mode in which the land is distributed. Wherever there is a free soil, labour maintains its value. Wherever the soil is in the hands of a few proprietors, or tied up by entails, labour necessarily undergoes depreciation. In fact, it is the disposition of the land that determines the value of labour. If men could get the land to labour on, they would manufacture only for a remuneration that afforded more profit than God has attached to the cultivation of the earth. Where they cannot get the land to labour on, they are starved into working for a bare subsistence."

P. E. DOVE, *Theory of Human Progression*, 1850, p. 406 n.

### The Island

"Place one hundred men on an island from which there is no escape, and whether you make one of these men the absolute owner of the other ninety-nine, or the absolute owner of the soil of the island, will make no difference either to him or to them. In the one case, as the other, the one will be the

absolute master of the ninety-nine—his power extending even to life and death, for simply to refuse them permission to live upon the island would be to force them into the sea.”

HENRY GEORGE, *Progress and Poverty*, vii, 2.

### Upon a Larger Scale

“ Upon a larger scale, and through more complex relations, the same cause must operate in the same way and to the same end—the ultimate result, the enslavement of labourers, becoming apparent just as the pressure increases which compels them to live on and from the land which is treated as the exclusive property of others. Take a country in which the soil is divided among a number of proprietors, instead of being in the hands of one, and in which, as in modern production, the capitalist has been specialised from the labourer, and manufactures and exchange, in all their many branches, have been separated from agriculture. Though less direct and obvious, the relations between the owners of the soil and the labourers will, with increase of population and the improvement of the arts, tend to the same absolute mastery on the one hand and the same abject helplessness on the other, as in the case of the island we have supposed. . . . Just as removal to cheaper land becomes difficult or impossible, labourers, no matter what they produce, will be reduced to a bare living, and the free competition among them, where land is monopolised, will force them to a condition which, though they may be mocked with the titles and insignia of freedom, will be virtually that of slavery.”

HENRY GEORGE, *Progress and Poverty*, vii, 2.

### Wealth and the Source of Wealth

“ It is not in the relations of capital and labour ; it is not in the pressure of population against subsistence, that an explanation of the unequal development of our civilisation is to be found. The great cause of inequality in the distribution



of wealth is inequality in the ownership of land. The ownership of land is the great fundamental fact which ultimately determines the social, the political, and consequently the intellectual and moral condition of a people. And it must be so. For land is the habitation of man, the storehouse upon which he must draw for all his needs, the material to which his labour must be applied for the supply of all his desires ; for even the products of the sea cannot be taken, the light of the sun enjoyed, or any of the forces of Nature utilised, without the use of land or its products. On the land we are born, from it we live, to it we return again—children of the soil as truly as is the blade of grass or the flower of the field. Take away from man all that belongs to land, and he is but a disembodied spirit. Material progress cannot rid us of our dependence upon land ; it can but add to the power of producing wealth from land ; and hence, when land is monopolised, it might go on to infinity without increasing wages or improving the condition of those who have but their labour, it can but add to the value of land and the power which its possession gives. Everywhere, in all times, among all peoples, the possession of land is the base of aristocracy, the foundation of great fortunes, the source of power."

HENRY GEORGE, *Progress and Poverty*, v, 2.

### The Land it is the Landlords'

- "The land it is the landlords'  
 The traders' is the sea ;  
 The ore the userer's coffer fills—  
 But what remains for me ?
- "The coming hope, the future day  
 When wrong to right shall bow,  
 And hearts that have the courage, man,  
 To make that future *now*."

ERNEST JONES, *Song of the Factory Slave* (1856).

### Why Wages are low

“ Why is it that men have to work for such low wages ? Because if they were to demand higher wages, there are plenty of unemployed men ready to step into their places. It is this mass of unemployed men who compel that fierce competition that drives wages down to the point of bare subsistence. Why is it that there are men who cannot get employment ? Did you ever think what a strange thing it is that men cannot find employment ? Adam had no difficulty in finding employment ; neither had Robinson Crusoe ; the finding of employment was the last thing that troubled them. If men cannot find an employer, why cannot they employ themselves ? Simply because they are shut out from the element on which human labour can alone be exerted. Men are compelled to compete with each other for the wages of an employer, because they have been robbed of the natural opportunities of employing themselves ; because they cannot find a piece of God’s world on which to work without paying some other human creature for the privilege.”

HENRY GEORGE, *The Crime of Poverty.*

### Treasure-house for Nation

“ We desire to develop our undeveloped estates in this country—to colonise our own country—to give the farmer greater freedom and greater security in the exercise of his business—to secure a home and a career for the labourer, who is now in many cases cut off from the soil. We wish to make the land less of a pleasure-ground for the rich and more of a treasure-house for the nation.”

SIR HENRY CAMPBELL-BANNERMAN, *at the Albert Hall,*  
21st December 1905.

### Politics of the Home

"Ye friends to truth, ye statesmen who survey  
The rich man's joys increase, the poor's decay,  
'Tis yours to judge, how wide the limits stand  
Between a splendid and a happy land."

GOLDSMITH, *The Deserted Village*.

### Twin Principles

"Here are two simple principles, both of which are self-evident :

"I.—That all men have equal rights to the use and enjoyment of the elements provided by Nature.

"II.—That each man has an exclusive right to the use and enjoyment of what is produced by his own labour.

"There is no conflict between these principles. On the contrary they are correlative. To secure fully the individual right of property in the produce of labour, we must treat the elements of Nature as common property."

HENRY GEORGE, *Protection or Free Trade*, ch. 26.

### A Declaration of Policy

"We would simply take for the community what belongs to the community, the value that attaches to the land by the growth of the community; leave sacred to the individual all that belongs to the individual; and, treating necessary monopolies as functions of the State, abolish all restrictions and prohibitions save those required for public health, safety, morals, and convenience."

HENRY GEORGE, *Condition of Labour*, iii.

### Cumulative Effects

“To abolish the taxation which, acting and reacting, now hampers every wheel of exchange and presses upon every form of industry, would be like removing an immense weight from a powerful spring. . . . And to shift the burden of taxation from production and exchange to the value or rent of land would be not merely to give new stimulus to the production of wealth; it would be to open up new opportunities. For under this system no one would care to hold land unless to use it, and land now withheld from use would everywhere be thrown open to improvement.”

HENRY GEORGE, *Progress and Poverty*, ix, 1.

### Preparing the Ground

“Knowing this, that never yet  
Share of Truth was vainly set  
In the world's wide fallow;  
After hands shall sow the seed,  
After hands from hill and mead  
Reap the harvests yellow.”

J. G. WHITTIER, *Barclay of Ury*.

### Most Just and Practicable

“The only indubitable means of improving the position of the workers, which is at the same time in conformity with the will of God, consists in the liberation of the land from its usurpation by the landlords. . . . The most just and practicable scheme, in my opinion, is that of Henry George, known as the single-tax system.”

LEO TOLSTOY, *To the Working People*, xiii.

### The Injustice and the Remedy

"The injustice of the seizure of the land as property has long ago been recognised by thinking people, but only since the teaching of Henry George has it become clear by what means this injustice can be abolished."

LEO TOLSTOY, *Letter to Single-Tax Leagues of Australia.*

### Henry George's Merit

"It is Henry George's merit that he not only exploded all the sophism whereby religion and science justify landed property and pressed the question to the farthest proof, which forced all those who had not stopped their ears to acknowledge the unlawfulness of ownerships in land, but also that he was the first to indicate a possibility of solution for the question. He was the first to give a simple, straightforward answer to the usual excuses made by the enemies of all progress, who affirm that the demands of progress are illusions, impracticable, inapplicable. The method of Henry George destroys these excuses by so putting the question that by to-morrow committees might be appointed to examine and deliberate on his scheme and its transformation into law."

LEO TOLSTOY, *Letter to a German Reformer.*

### Our Present Land Laws

"Our present land laws cause a greater drag upon trade, and are a greater peril to the standard of living, than all the tariffs of Germany and America."

SIR HENRY CAMPBELL-BANNERMAN, *at Bolton,*  
16th October 1903.

### Land-value Valuations

"Let the value of the land be assessed independently of the buildings upon it, and upon such valuation let contribution be made to those public services which create the value."

This is not to disturb the balance of equity, but to redress it. There is no unfairness in it. The unfairness is in the present state of things. Why should one man reap what another man sows? We would give to the landowner all that is his, but we would prevent him taking something which belongs to other people."

SIR HENRY CAMPBELL-BANNERMAN, *at Leeds,*  
19th March 1903.

### The Hostile Tariff

"Our present rating system operates as a hostile tariff on our industries, it goes in restraint of trade, it falls with severity on the shoulders of the poorer classes in the very worst shape, in the shape of a tax upon house-room. . . . So long as this system is left unamended, we are consenting—you and I, by allowing it to remain unamended—to the aggravation of these appalling evils of over-crowding, which are a disgrace to our humanity and a blot upon our record as a capable self-governing community."

SIR HENRY CAMPBELL-BANNERMAN, *at Dunfermline,*  
22nd October 1907.

### Rights of the Community

"The value of land rises as population grows and national necessities increase, not in proportion to the application of capital and labour, but through the development of the community itself. You have a form of value, therefore, which is conveniently called 'site value,' entirely independent of buildings and improvements and of other things which non-owners and occupiers have done to increase its value—a source of value created by the community, which the community is entitled to appropriate to itself. . . . In almost every aspect of our social and industrial problem you are brought back sooner or later to that fundamental fact."

MR H. H. ASQUITH, *at Paisley, 7th June 1923.*

### Potent Promoters of Industry

"We hold, as we always have held, that, so far as practicable, local and national taxes which are necessary for public purposes should fall on the publicly-created value rather than on that which is the product of individual enterprise and industry. That does not involve a new or additional burden on taxation, but it would produce these two consequences—first of all, that we should cease to be imposing a burden upon successful enterprise and industry; and next, that the land would come more readily and cheaply into the best use for which it is fitted. These two things would be two potent promoters of industry and progress."

MR H. H. ASQUITH, *at Buxton, 1st June 1923.*

### The Greatest Grievance

"The great criticism against rating is not merely that it lacks uniformity and is unfair between the parties, but that it is unfair to the class of property that you tax and rate. This is the greatest grievance of all—that it taxes improvements. The more a landlord improves his property the higher he is rated; the more he neglects his property the less he is rated. . . . If he allows his cottages to fall into decay and become empty, his rates are less; but if he is a good, sound landlord, who repairs ruinous cottages and builds new ones, up go his rates. The man who trusts to obsolete machinery in his business can keep his rates low; but the man who puts in new machinery and improves his buildings has to pay a higher contribution to the rates."

MR LLOYD GEORGE, *in the House of Commons,*  
*28th April 1913.*

### Tackle Land-values First

"You cannot build houses without land; you cannot lay down trams for the purpose of spreading the population over

a wider area without land. As long as the landlords are allowed to charge prohibitive prices for a bit of land, even waste land, without contributing anything to local resources, so long will this terrible congestion remain in our towns. That is the first great trust to deal with, and for another reason—the resources of local taxation are almost exhausted. It is essential that you should get some new resources for this purpose. What better resources can you get than this wealth created by the community, and how better can it be used than for the benefit of the community? . . . It is all very well to produce Housing of the Working Classes Bills. They will never be effective until you tackle the taxation of land-values.”

MR LLOYD GEORGE, *at Newcastle, 4th March 1903.*

### Who ordained . . . ?

“ Who ordained that a few should have the land of Britain as a perquisite ; who made 10,000 people owners of the soil and the rest of us trespassers in the land of our birth ; who is it ? Who is responsible for the scheme of things whereby one man is engaged through life in grinding labour, to win a bare and precarious subsistence for himself . . . and another man who does not toil receives every hour of the day, every hour of the night whilst he slumbers, more than his poor neighbour receives in a whole year of toil ? Where did the table of the law come from ? Whose finger inscribed it ? ”

MR LLOYD GEORGE, *at Newcastle, 30th September 1909.*

### Let's Burst It !

“ Search out every problem, look into these questions thoroughly, and the more thoroughly you look into them you will find that the land is at the root of most of them. Housing, wages, food, health, the development of a virile, independent, manly, Imperial race—you must have a free land system as an



essential condition of these. To use a gardening phrase, our social and economic condition is root-bound by the feudal system. It has no room to develop, but its roots are breaking through. Well, let's burst it!"

MR LLOYD GEORGE, *at Aberdeen, 29th November 1912.*

### Entering the Inheritance

"We want to do something to bring the land within the grasp of the people. We want to put an end to the system whereby the land of this country is retailed by the ounce, so that there should not be an extra grain of breathing spaces. . . . The resources of the land are frozen by the old feudal system. I am looking forward to the spring-time, when the thaw will set in, and when the people and the children of the people shall enter into the inheritance that has been given them from on high."

MR LLOYD GEORGE, *at Liverpool, 21st December 1909.*

### Thought and Action

"Still, through our paltry stir and strife,  
Glows down the wished Ideal,  
And Longing moulds in clay what Life  
Carves in the marble Real."

JAMES RUSSELL LOWELL, *Longing.*

### The Land Reformer's Case

"Our moral thoughts are usually cast ultimately into a theological form, and so the land reformer's case is generally opened by a statement like 'the land is God's common gift to all.' Cast in its severely economic form, however, the point is equally effective. Rent is a toll, not a payment for

service. By it social values are transferred from social pools into private pockets, and it becomes the means of vast economic exploitation. . . . Rent is obviously a common resource. Differences of fertility and value of site must be equalised by rent, and it ought to go to common funds and be spent in the common interest."

MR J. RAMSAY MACDONALD,  
*Socialism, Critical and Constructive*, p. 164.

### It is Fundamental

"Our old Socialist argument that economic rent must be taken by the State, because it is created by circumstances of which the whole community is entitled to take advantage, has been enormously increased by the results and the experiences of the war. And it is fundamental."

MR J. RAMSAY MACDONALD, *Socialism after the War*, p. 53.

### One Point of Socialism

"To take only one point of our case: Socialism declares it to be wrong that the land which is necessary for the life and maintenance of *all* men should be held in private ownership by a *few* men: it declares it to be wrong that a landowner who contributes nothing in skill or labour to the land should get anything out of the land: it declares it to be wrong that a landowner who certainly did not bury the metals and minerals in the earth—and who does nothing to win them out—should get greater remuneration than those who do win them at the expense of heavy toil, and life and limb. If you have an answer to these claims, we shall be glad to give it space."

"FORWARD" *Newspaper, Glasgow, 16th December 1922.*

### The People's Anthem

“ When wilt Thou save the people ?  
 O God of Mercy, when ?  
 The people, Lord ! the people !  
 Not thrones and crowns, but men !  
 God save the people ! Thine they are ;  
 Thy children, as Thy angels fair :  
 Save them from bondage and despair !  
 God save the people ! ”

EBENEZER ELLIOTT, *Corn-Law Rhymes* (1831).

### Breaking Land Monopoly

“ The Labour Party says that if the great landowners of this country desire to put fences round the most productive soil in the world . . . they must pay for the pleasure of doing so. Accordingly, it is proposed to have the land valued, and to ask the owner to pay a tax on that valuation. I think that by the pressure of the taxation and rating of land-values the owners would soon find that the land held out of use was not so necessary to their pleasure as they thought. I venture to suggest that they would quickly commence to seek buyers or tenants. The plentiful supply of land that would come on the market would enable farmers to obtain their holdings at a reasonable price or rent instead of having to enter into possession on the inflated values with which you are acquainted. I assert, without fear of contradiction, that *nothing* would give a greater stimulus to the agricultural industry than the freeing of the land. More farms would be opened up ; more opportunities of employment would offer for the agricultural worker ; the countryside would become a hive of industry instead of a grave of disappointed hopes. The root of the rural problem is where all roots are to be found—in the Land.”

MR ARTHUR HENDERSON, *at Cromer, 17th March 1922.*

### Suicidal to Penalise Improvements

"The taxation of land-values would not impose any further burden upon the agricultural industry. . . . The landowner would have to pay it. He could not pass it on to the farmer, and he could not make the agricultural worker pay it by means of a reduction in his standard of life. I challenge anyone to say that a tax on economic rent is paid by anyone else than the receiver of the rent. But the Labour Party would go further than that. The present system of assessment and rating produces an inequality of burdens which are injurious to agriculture. Improvements are positively discouraged. The burden of rates is often heaviest where it can least well be borne. A farmer who improves his land or erects an additional building for the housing of his live stock finds immediately that his assessment is raised. The Labour Party holds that it is suicidal for the nation to penalise by increased taxation occupiers of land who effect improvements which add to its value. We propose a drastic revision of the entire system of assessment and rating in order that the taxation of land may be used to unrate the improvements made by the occupier."

MR ARTHUR HENDERSON, at *Cromer*, 17th March 1922.

### Undesirable Taxation

"Under our present system improvements are penalised. If a shopkeeper extends his premises, or a farmer increases the value of his farm by erecting improved buildings or draining the land, the rates are immediately increased. That is a tax on private enterprise with which I do *not* agree. Private enterprise of a character not subversive of the public good I would encourage. It little becomes the wealthy landlords who oppose the shifting of the burden of the rates

from houses, factories, shops, and machinery on to the value of the land, to criticise the speech I made at Newport. Why? I recently attached my name to a Bill for the taking of rates off machinery. Is that an attack on private enterprise?"

MR ARTHUR HENDERSON, *at Newcastle By-election,*  
*January 1923.*

### A Vital Need

"The principle and policy of the United Committee have no more sincere supporter than myself. The taxation of land-values has been a vital need ever since the private ownership of land formed an integral part of the social system, but the aftermath of a great war has brought us problems which have dragged its urgent necessity more into the light and indicated the essential truths of the doctrine taught by Henry George."

MR ARTHUR HENDERSON,  
*Letter to the International Conference on the Taxation of Land-values at Oxford, August 1923.*

### Unlocking Nature's Storehouse

"The taxation of land-values with, of course, the exemption of improvements, does not receive my support merely as a plan for raising additional revenue. It is designed to achieve far greater results. It seeks to open the way to the natural resources from which all wealth springs. The labour is here, and with it the will to work, but the land still lies locked in the grip of a tenacious and unrelenting monopoly, while unemployment and poverty haunt us with a terrifying persistence."

MR ARTHUR HENDERSON, *ib.*

## LAND-VALUE POLICY

**The Victory that Counts**

“ We want no flag, no flaunting rag,  
 For Liberty to fight ;  
 We want no blaze of murderous guns,  
 To struggle for the right.  
 Our spears and swords are printed words,  
 The mind our battle-plain :  
 We've won such victories before,  
 And so we shall again.”

CHARLES MACKAY, *British Freedom* (1848).

**Concentrate upon Land Reform**

“ Until they had abolished landlordism root and branch, every other attempt at reform was building upon the sands. Every reform not based on common ownership of the land was simply subsidising landlordism. Every social reform increased the economic rent of land. Therefore, unless they were going to continue to waste their efforts by tinkering with social questions as in the past, they must concentrate upon this fundamental question, to secure the land for the people.”

MR PHILIP SNOWDEN, *at Memorial Hall,*  
*London, 24th May 1919. (Land Nationaliser, June 1919.)*

**Economic Value of Land**

“ We hold the position that the whole economic value of land belongs to the community and that no individual has the right to appropriate and enjoy what belongs to the community as a whole. Let there be no mistake about it. When the Labour Government does sit upon those benches it will not deserve to have a second term of office unless in the most determined manner it tries to secure social wealth for social purposes.”

MR PHILIP SNOWDEN, *House of Commons,*  
*4th July 1923 (on Third Reading of Finance Bill).*

### Backbone of Capitalism

“ Why is it that, in spite of their great numbers and large organisations, the workers have not yet succeeded in gaining their freedom? The reason is simple : they do not understand the capitalist system. They always imagine that if they can gain higher wages and shorter hours, all will be well. But they fail to realise the great strength of the capitalists, which strength lies in their possession of the land and all the raw material from which wealth is produced. So long as they are allowed to retain possession of these things the workers are helpless.”

“ FREEDOM ” *Newspaper, London, October 1920.*

### Labour's Land Policy

“ This policy is based on the following principles :

“ The land which Nature provided as the physical basis of life ought to be treated as common property.

“ When land is in private hands those who hold it should be called upon to pay to the people a rent or tax for it.

“ That this tax or rent should be based on the true market value of the land apart from the value of any improvements which may be in or upon it.

“ The tax should be made payable whether the land is being used or not.”

LABOUR SPEAKER'S HANDBOOK, 1922.

### Land and Social Problems

“ Late in life I have realised, what I failed to see in the early days, that the root of all our social problems lies in the land question. So long as land is withheld from free access to men, anxious and willing to utilise Nature's bounty, just so long will you have a crowd of men at the factory gate

waiting for jobs. The key to the anomalies we are all endeavouring to solve is the land problem. . . . If the atmosphere could have been parcelled out and bottled up so that every child that comes into the world would only be allowed to breathe on the payment of air-rent, you can picture a state of affairs as deplorable, but no less unjust and ridiculous, as that obtaining at the present time with your private ownership and monopoly of the land."

MR ROBERT SMILLIE, at *Newcastle-under-Lyme*,  
October 1921.

### Dictates of Equity

"It may by-and-by be perceived that Equity utters dictates to which we have not yet listened; and men may then learn that to deprive others of their rights to the use of the earth, is to commit a crime inferior only in wickedness to the crime of taking away their lives or personal liberties."

HERBERT SPENCER, *Social Statics*, 1851, ix, 9.

### The Coming Brotherhood

"Then let us pray that come it may  
(As come it will for a' that)  
That Sense and Worth o'er a' the earth,  
Shall bear the gree an' a' that!  
For a' that, an' a' that,  
It's comin' yet for a' that,  
That Man to Man the world o'er  
Shall brithers be for a' that."

BURNS, *Is there for honest poverty*.



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