

TAXATION OF LAND VALUES
AS IT AFFECTS LANDOWNERS AND
OTHERS

TAXATION OF LAND VALUES

AS IT AFFECTS LANDOWNERS
AND OTHERS

By
JOHN ORR, M.A

LONDON
P. S. KING & SON
ORCHARD HOUSE, WESTMINSTER
1912

X723

E2

3468

PREFACE

I UNDERSTAND that the views expressed in this little book are not held by any school of thought, that they do not represent the policy of any organization. For this reason I have studied them with special interest. Though new to this generation, most of them have been held and stated by leading thinkers and statesmen in the past. Locke in England, Turgot in France, with many of their contemporaries and successors in both countries, advocated a single tax on land values, with no belief that such a tax would reduce the incomes of landlords.

This view of theirs is well worth discussion. The genius, character and achievements of such men as Locke and Turgot are sufficient of themselves to justify the most thorough examination of any view which they held so tenaciously, and advocated with such sincerity. Their counsels were rejected in their day. They

failed to carry their principles, but that failure is steadily turning into success. We are on the eve of great social and economic changes, and one of the most fundamental is connected with the tenure of land and with taxation. We need more light on the path upon which we are entering, and this light can only come from wide thought with full discussion. The same problems which we face to-day confronted our ancestors more than once, and they may have seen things which we have overlooked. Then there is the fact that the taxation of land values is explaining itself through actual working in the British Colonies, and it is important to see from this explanation what the nature of that tax is.

Any lasting change in the institutions of a country must enter into them through the minds of its people. The more people to whom such a change appeals, the more successful and permanent will be its effects. There must be some aspects of the taxation of land values which have not yet been made clear, and there must be many minds

to which the presentation of these aspects would bring the conviction that this is a wise and beneficent proposal. A discussion marked by generous feeling will bring clearness, for it will not unnecessarily disturb passions. A discussion marked by fearlessness will also add something, for it will carry the investigation far enough to reveal more of truth. There is something reasonable in the mind of every man and woman which would condemn whatever is unreasonable in our social system. The endeavour to enlist this reasonable force is always fair. Some of the views expressed here will undoubtedly appear extreme to many people; to others the whole treatment, judged by a moral ideal, will seem to fall short. None the less, but probably the more, they call for careful consideration.

I should not like to say that the new definition of rent given in this book is final, or scientifically complete, but it seems to agree more fully with experience, and to apply more universally, than Ricardo's. The growth of cities, with their great social

activities, has been followed so closely by the increase of rent that the one is obviously the cause of the other. Similar activities on a smaller scale may always have been the cause of rent. Nor is it necessary to assume that the author's attempt to establish a simpler and more scientific basis for Political Economy is successful. This will appear from discussion of the subject. The treatment of it as a science concerned with human feelings, yet perfectly distinct from morals, may make it possible to remove the old charge that it is unrelated to the conditions in which men live. The mere business aspect of human relations is important, and is perhaps an adequate basis for a science. The ideas suggested here admit of expansion. The relations of this movement for the taxation of land values to other movements for the improvement of social conditions are complementary and not hostile.

A vine-dresser to-day, hoeing his vineyard on the banks of the Arno, throws out on the road a stone which obstructs his work. Yet this vineyard has been culti-

PREFACE

ix

vated since the days of Cæsar, and one might think that all such stones had been removed long ago—not so, neither here nor in vineyards of any sort.

MARY FELS.

London, *May*, 1912.

CONTENTS

	PAGE
PREFACE	v
I	
SOME THEORIES OF TAXATION	1
II	
SOME EXPERIMENTS AND THEIR LESSONS	18
III	
THE VALUATION OF LAND	27
IV	
TAXATION AND RENT	52
V	
VALUE	83
VI	
THE PRINCIPLE OF POLITICAL ECONOMY	90
VII	
A PRACTICAL POLICY	100
APPENDIX: TURGOT'S PRINCIPLE	109

TAXATION OF LAND VALUES

I

SOME THEORIES OF TAXATION

"It is as demonstrable as any proposition in Euclid that, if we actually paid a land tax of 10s. in the pound, without paying any other excise or duties, our liberties would be much more secure, and every landed gentleman might live at least in as much plenty, and might make a better provision for his family than under the present mode of taxation."

This statement was made by Sir William Wyndham, an English landowner, son-in-law of the Duke of Somerset, and Chancellor of the Exchequer in Queen Anne's last two Parliaments. He was speaking in the House of Commons on February 9, 1732, against Walpole's motion for the revival of the Salt Duty and a consequent reduction of the Land Tax. The fight between these two statesmen on this issue continued for two years. Walpole carried his Salt Duty; he encroached on the Sinking Fund, with the avowed object of reducing the Land Tax. He introduced

2 TAXATION OF LAND VALUES

his Excise Bill for the same purpose, but was beaten by Wyndham, and compelled to withdraw it.

The struggle was largely one between landowners, and those of them who advocated the taxation of land values did so from the strictly practical point of view. Walpole and his school professed that they could save their rents by exempting them from direct taxation. Wyndham, Plumer, Carteret and others disproved this. They understood taxation as it has hardly been understood by politicians since. They told Walpole that he was deceived, and that he was deceiving the landowners, in thinking and acting as if he could raise the value of land by striking with his taxes at the labourers, farmers, merchants and manufacturers of the country. Rent is reduced by the full amount of the taxes paid by tenants in any form; it is still further reduced by the effect of these taxes in impoverishing many people, and in interfering with production and trade.

This was the view of the taxation of land values taken by Locke, and by the ablest and most impartial politicians and writers in the seventeenth and eighteenth centuries, when the Land Tax was being abandoned for Excise Duties. The idea has emerged again from modern experience, and obtruded itself on the attention of general observers. It is supported by the actual operation of the system in the British Colonies. Writing about the heavy Land Tax imposed by the

SOME THEORIES OF TAXATION 3

Commonwealth Government, the Australian correspondent of the *Times* says :

"The Land Tax has come to stay. In operation for little more than a year, it has not had exactly the effect that its advocates hoped, or its opponents prophesied ; it has not cheapened land to any material extent, and it has not spread red ruin among the owners of estates. . . . Broadly speaking, it has left values very much as they were." ¹

That is, the interpretation of the taxation of land values by its advocates and opponents has not been in harmony with the principle, as the effects of its application have shown. This misinterpretation has been a serious obstacle to the progress of the movement. Many opponents of the taxation of land values have sought to prove that the present system of taxation is almost the best possible for the producing classes, while many advocates of the Land Tax have agreed that the present system has been the best possible for landowners. By their united efforts they have succeeded in giving a large number of people good cause to cling to what appears to be a perfect vice in the economic system.

Walpole did much to make the taxation of industry the settled policy of this country, violating, as his opponents contended, the essential principle of taxation and of political economy. In his short speech introducing the motion for reviving the Salt Duty he said :

¹ *Times*, February 28, 1912.

4 TAXATION OF LAND VALUES

“ If I have, sir, the good luck to succeed so far in my wishes, as to have this motion approved of, I shall then beg leave to move that the sum of rs. in the pound, and no more, be raised for this year upon land. . . . I declare I had no other view but that of procuring some ease, some relief, to the landed interest. If this be agreed to, some means may be fallen upon to relieve them of the whole again next year ; and I shall always look upon it as a great honour that, after a continuance of a land tax of four, three, or two shillings at least in the pound for 40 years together, it was at last reduced to one, at a time when I had a share in the administration of the affairs of the nation.”

Walpole's second step in this direction was taken on February 23, 1733, when he moved that £500,000 should be taken from the Sinking Fund for the expenses of the year. “ This motion,” he said, “ ought the rather to be agreed to, more especially by those who have a regard for the landed interest, because we can thereby continue to the landed gentlemen that ease which we granted them last year.” His third step was the introduction of the Excise Bill on March 14 of the same year, recommended again by references to “ the grievous entail of a heavy land tax.”

Walpole's guiding principle here is an exclusive regard for the landed interest, and disregard of the men engaged in production. Wyndham, on the other hand, judged every proposal of this kind with reference to its effects on industry, on the assumption that if industry is in a sound condition, every interest depending on it will be

safe. This seems to be the only correct point of view, and its adoption or rejection makes all the difference in the conclusion reached.

"The Salt Duty," he said, "was taken off by this House as a tax the most grievous to the labourer and to the poor of this nation, and the Sinking Fund was thereby diminished; for the relief of the poor we did consent to this encroachment on that sacred Fund, but that very tax was laid on because some gentlemen pretended to have found out that the landed gentlemen of England were poorer than the poor!"¹

"I hope," he said, speaking against the Excise Bill, "I hope the landed gentlemen are not to be caught by such baits. Every landed gentleman will do well to consider what value their lands would be of, if, for the sake of a small and immediate ease to themselves, they should be induced to oppress and destroy the trade of their country. . . . This is one reason for the landed gentlemen not to accept of the pretended ease now offered to them."²

A study of the debates in Parliament during these years will show how deeply and carefully some men had considered these questions. They never made the fatal admission that legislators could oppress the producers of wealth by taxation, and that under such treatment these would do the best for themselves in business, and, through their own prosperity, the best for all others with whom they have business connections. Now that we are approaching again with firmer step the position which our ancestors occupied, we can

¹ House of Commons, February 23, 1733.

² House of Commons, March 14, 1733.

6 TAXATION OF LAND VALUES

learn from their experience. One extract from these debates will indicate how similar, not only in substance, but in language, was the controversy of that day to the present controversy.

“This tax upon salt,” said Lord Bathurst, “is, my lords, so far from being a just and equal tax, that it is the most unjust and the most oppressive tax that ever was set on foot in this nation. To the public expense every man ought to contribute according to the benefit he receives.”¹

This view of taxation, which alone is in harmony with business experience, was handed down through various writings for more than a century. The French Economists of the eighteenth century, keeping in this respect close to the actual facts of life, adopted it. Quesnay did not see what advantage landlords got from taxes on commodities which turned respectable wage-earners into “beggars and thieves, a species of indirect impositions that walked about in an arbitrary manner to burden the producers.”

Perhaps the last and most complete statement of this theory with reference to Imperial taxation is that of Dr. Chalmers. Summarizing his arguments, he said :

“That, with the exception of their first brief and temporary effect on wages and the profits of circulating capital, and of their more prolonged effect on the profits of fixed capital—all taxes fall upon land. That, to estimate the whole effect of taxes upon land, we should add to the effect of them, in aggravating

¹ House of Lords, March 22, 1732.

the expenditure of landlords, the effect of them in lessening their receipts. That, every tax which bears on the profit or maintenance of the agricultural capitalists, and which bears on the wages or maintenance of the agricultural, and their secondary, labourers, and, generally, which enhances the expenses of farm management, creates a deduction, *pro tanto*, from the rent. That, for the commutation of all taxes into a territorial and funded impost, there would be a full equivalent to the landlords first, in the lessened expenses of their living; and, secondly, in the enlarged rent of all the land now under cultivation. And that they, over and above, would obtain more than an equivalent in the new rent which would accrue from the more extended cultivation of their land, now unburdened of all those taxes by which the cultivation had formerly been limited."¹

It may be asked why, if the taxation of land values is so practicable and so universally advantageous, it was not adopted long ago by legislators. The answer is obvious. The problem of taxation is one of the most difficult which societies have to solve. Its nature is not yet understood. The answer to one question brought Locke, Wyndham, Quesnay, Turgot and Chalmers to the economic, the only relevant, principle of taxation. That question was: Which tax will give the producers of wealth the greatest measure of security, freedom and encouragement? Having settled this they were satisfied.

This theory of taxation, so clearly stated by these writers and statesmen, has been lost to

¹ *Political Economy*, pp. 561-2.

8 TAXATION OF LAND VALUES

view for a long period, and for lack of its guidance we have become involved in practical difficulties. Unlike their successors, these economists had no misgivings about the sufficiency of land values to provide a basis for taxation. This seems to be the greatest obstacle in the way of modern legislators. It was stated by Lord Robson, at that time Attorney-General. He was speaking in the House of Commons on April 27, 1910.

"It has been argued," he said, "whether all taxes should not be raised out of the land. If time allowed, I should be willing to deal with that question, but in the five minutes at my disposal I would advance one objection to that which has not been carefully considered by those who advance that suggestion. Are site values equal to the immense burden which would be laid upon them, if they were made the sole subject-matter of rating? Take, for instance, property in London worth £50 per year. The site value of that property is equal, on a fair average, to something like £10 a year, and the rates will be equal to something like £18 a year, so that you could not possibly levy the whole of your rates upon the site value, if you made it the only subject-matter for taxation. The rate would be 20s. or 30s. in the pound, a result which would mean that the building, which you desire wholly to exempt from taxation, would nevertheless be subject to taxation."

From this point of view, the scheme seems to be very impracticable, and decidedly menacing to the landowners. It has been suggested that Lord Robson was disingenuous, if not actually stupid, in thus stating his objection. But those who

make the suggestion have not solved the problem as presented by him. If site value is taken as the full ground-rent which the landlord could obtain by letting the site and nothing more, there are properties where the rates would amount to 60s. in the pound on this site value.

A general answer is given to this to the effect that the high site values in the cities will make good any deficiency in the assessable basis of the suburbs and rural districts. But this general answer will not serve the statesman's purpose when he is introducing a bill to deal with the rating or taxation of the whole country. There are too many interests involved, too many mortgagors who would suffer if the returns to mortgages were reduced by a tax, too many of the present recipients of rent who would lose in order that new recipients of rent might be created. Even if site values, in the sense in which this expression is used by Lord Robson, were sufficient to bear the full burden of the rates, no Government would take the unwise and unjust step of appropriating those site values to pay the present rates, making a gift of other site values to other persons.

But the whole of Lord Robson's difficulty arises from his definition of site value, which he assumes to be the same as the ground-rent. It is doubtful, however, if this definition has any sanction in political economy. There is a wider and more practical definition which treats the site value

10 TAXATION OF LAND VALUES

of any property as the ground-rent received by the landlord together with all rates and taxes paid by the occupier. This economic site value is determined by what occupiers are prepared to pay in all these forms for the right to use the land. No matter how often the total charge is divided, they will pay the same amount; except that, where division of the taxes is used as a means of oppressing them, and of reducing their wages, they will pay less.

According to this definition, in the example which Lord Robson gives, the site value for rating purposes is not £10, but £28—the ground-rent plus the amount of the rates. With a rate on the value of all land, whether used or unused, contributions would be received in respect of subjects in the same rating area that are now unrated or under-rated, and instead of the occupier in this case being called upon to pay £18, his proportion of the amount to be raised might be only £16. Thus a rate of 57 per cent. on the site value would be sufficient to obtain the necessary revenue, and, other things remaining the same, the sum receivable by the landowners would be £12 instead of £10. To obtain a complete assessable basis for the purpose of local taxation, it is only necessary for the assessors to add the present rates to the annual land value which can be realized by the landowners. Thus, if the annual land value is £150,000,000, and if the amount raised in rates is £78,000,000, the sum of these two amounts

is the basis on which the latter would be raised.

It is important to appreciate the effect of this commonly accepted theory stated by Lord Robson on landlords and statesmen. They have believed that a tax of 60 or 70 per cent. on what is now called the value of land would involve an immediate and equal reduction of all incomes from this source. It seems unreasonable to ask landlords to accept this view, and at the same time to ask that they should support the proposal that such a tax should be imposed at once. No less difficult is the position of the statesman who is called upon to introduce such legislation. However strong his conviction may be that this is the ideal system of taxation, and that associated with it is the most perfect system of land tenure, he will hesitate before he upsets the financial position of any class in the community. There is little doubt that the fear of this result has deterred our Home and Colonial Governments from adopting the taxation of land values in a straightforward and consistent manner.

But this practical objection to the proposal is entirely removed by two considerations:—(1) by the definition of the value of land in its economic sense, the only sense which is of practical use for purposes of taxation; (2) by the correct interpretation of the effects of a tax on the value of land.

There is no difference of opinion among practical

men on the first point, and it is remarkable that within recent years it has been most clearly stated by thorough-going opponents of the taxation of land values. Mr. H. Trustram Eve has been untiring in his criticism of the proposal, yet the ground slipped from beneath his feet in his own impartial inquiry into the subject. Mr. Eve proves that site value for rating purposes is the ground-rent plus the rates.

“The fact is,” he says, “that unconsciously people work out rents assuming they will pay rates, and, if there were no rates, they would think in higher terms. From an economic point of view, the correct way of thinking is to take the theoretical, rate-free, economic rent, and, having fixed that, make a calculation as to the amount of rates, and the balance is the sum payable for what is called rent, but which really is rent less rates.”¹

Mr. Eve seems to oppose the taxation of land values on every possible ground, because it is unjust, unworkable and detrimental to the State. But his argument here proves that it is the opposite of all these, that it is the most practicable scheme conceivable.

If anyone has distinguished himself by his opposition to this movement, it is Mr. Harold Cox. While others oppose it as Conservatives, frankly in favour of existing privileges, he opposes it as a Liberal, and yet, in the course of a calm investigation, he argues himself into the most substantial

¹ *The Land Agents' Record*, June 17, 1911.

support of the principle. He claims to have proved that "local taxation falls in reality upon the owners of the soil." . . . "Common sense," he adds, "suggests that the nominal burden should be laid where the real burden must finally fall," and he refers to this as "a simple solution of the problem of local taxation."¹ In the light of these arguments, it is obvious that, if the whole of our local taxation, amounting to £78,000,000, were levied directly on land values, the landlords would not lose this amount, and the rate-payers would not receive it. The advantages to the community from this reform will come in other ways than by such rude transitions.

According to this theory, the last ground for practical objection is removed by consideration of the effect of a tax on land values on the value of land itself. There has been a common impression that the value of land generally would be reduced under the imposition of a direct tax on all land. This view also carried with it a presentiment of financial collapse in certain quarters. But it seems to be quite as unfounded and impracticable as the previous view. The French have a proverb which expresses the truth finally on this matter—*Tant vaut l'homme, tant vaut la terre*—the value of land depends on the value of man. From its first introduction, the taxation of land values increases the value of men, and, therefore, it increases the value of land. When

¹ *Land Nationalisation*, p. 96.

14 TAXATION OF LAND VALUES

men are set free economically, when production is increased, and wages raised, a corresponding increase in the value of land must inevitably follow.

From this point of view there never was a policy so fitted to commend itself to statesmen. The generous hopes of those who have adopted it have always been more than fulfilled, because every application of it appeals immediately and sensibly to men's economic aspirations. Problems that now seem difficult of solution would be easily solved under its influence. It is poverty that adds a baffling element to every one of our social problems, and this policy steadily diminishes poverty. The problem of local and national taxation acquires its hard and insoluble aspect from the poverty which presses heavily upon communities, as it presses upon individuals, and relief will come, not so much from readjustment of the different burdens between the local areas and the nation, as from the change in the basis of taxation.

The end of this reform will be reached by a series of steps. Wrong principles have been followed in the past, and strong interests have grown around them. These interests have been threatened with extinction at the earliest possible moment, and this threat has given rise to the fear of poverty in the minds of the people affected, a poverty which appears more or less imminent according to the representation of the proposal.

But it is impossible for us to conceive, and therefore impossible for us to describe, what the effects of the last step in this reform will be, because each step will change not only the position but the outlook of every class. The inadequate representation of the effects of the last, it may be the twentieth, step is certain to cause misunderstanding in minds whose outlook is entirely determined by present conditions of poverty. Opponents have taken advantage of this fact, and, by attaching to the first step the imaginary effects of the last have been able to give it an impracticable appearance.

But legislators need have no fear that the course of this reform will lead them over the rough and uneven roads which appear in these pictures of the mind. The testimony of the *Times* correspondent with regard to the effect of the tax in Australia should do something to allay anxiety. This report and others, coming from countries where the Land Tax is in force, justify and will ultimately compel, a reconsideration of the whole theory of taxation. From this inquiry we shall learn to distinguish between economic laws and legal enactments, we shall come back to Locke's position, and look a little deeper than the first superficial appearance.

"A tax," says Locke, "laid upon land seems hard to the landholder, because it is so much money going visibly out of his pocket; and, therefore, as an ease to himself, the landholder is always forward to lay it

upon commodities. But if he will thoroughly consider it, and examine the effects, he will find he buys this seeming ease at a very dear rate ; and, though he pays not this tax immediately out of his own purse, yet his purse will find it by a greater want of money there at the end of the year than that comes to, with the lessening of his rents to boot, which is a settled and lasting evil, that will stick upon him beyond the present payment."¹

This argument means that the proposal to substitute a tax on land values for all the present taxes is simply a proposal to substitute a direct tax on land values for indirect taxes on land values, and in doing so to avoid the indefinite loss incurred by every class through the indirect method. Nothing could be more practicable, or more agreeable to every reasonable person. The opposite view with regard to the nature of this reform has been derived from the misapplication of the argument which is used to prove that a tax on land values cannot be shifted. When the proposal to tax land values has been made, practical men have remarked that rents would rise owing to the relief granted to occupiers. Treating this as an objection, land taxers committed the double fallacy of begging the question and of arguing to the wrong point. They replied that a tax on economic rent cannot be shifted, a statement which is true. But this statement implies that existing taxes are not taxes on economic rent, which is an un-

¹ *Considerations of the Lowering of Interest*, Locke's Works, p. 55, vol. v., 1801 edition.

settled question. It also ignores the effect of the repeal of these taxes on the rent payable, if the landlord were to assume the burden now borne by the tenant, which is the only point of the remark. In so far as the advocacy of the taxation of land values rests on this fallacy, it assumes an impracticable form. Stripped of those features that do not belong to the principle itself, it will appear the soundest business policy.

With reference to the incidence of existing taxes, the opinion of Professor Seligman, who also opposes the taxation of land values, is worth quoting. After reviewing all the known theories of taxation, he concludes thus: "If we look at taxable objects from the standpoint of revenue, we have found that there are only two kinds of revenue on which a tax, when once imposed, necessarily remains. These are economic rent and pure profits."¹ We are not sure about the "pure profits." Professor Seligman defines them as inheritances, gifts, gains from speculation." But the part of these that is not economic rent is, probably, not very large. If, therefore, economic rent is the only form of revenue on which taxes necessarily remain, it is evident that they must always be shifted from wages and interest to economic rent, and all the efforts to prevent this by indirect taxation are futile.

¹ *Shifting and Incidence of Taxation*, p. 184 of American Economic Association Edition.

II

SOME EXPERIMENTS AND THEIR LESSONS

PRACTICAL men rely with more assurance on the results of experience than on any untried theory. The taxation of land values has been adopted to a sufficient extent in different parts of the world to make clear its effects on various interests. So long ago as 1877 a beginning was made in Australia. The Victorian Legislature imposed a tax of $1\frac{1}{2}$ per cent. on the capital value of land in that year. The object was to break up large estates, and the Bill was only passed after a keen struggle. In the following year a similar tax was introduced in New Zealand, but in 1879 Sir George Grey's Government was defeated, largely on this issue, and the tax was repealed.

Since 1891 more consistent progress has been made in the reform. The Governments of New Zealand, Victoria, South Australia, and Western Australia, and, last of all, the Commonwealth Government, now levy national or State taxes on land values. In British Columbia the provincial Government has also adopted this system. The effect of the tax has varied, not only with its

SOME EXPERIMENTS AND THEIR LESSONS 19

amount, but with the valuation or assessment on which it is based. In the earlier stages this was very imperfect.

For rates or local taxation the principle has been applied to a large extent in New Zealand, to the whole of New South Wales except Sydney, to the whole of Queensland, to the leading cities of Alberta and British Columbia, including Edmonton and Vancouver, and to Kiao-chau, the German colony in China. By raising the whole of their rates from land values these Colonies have gone far ahead of the Mother Countries. To some of those who watched the experiments the results came as a surprise. In Wellington, New Zealand, the rates on improvements were repealed in 1901, and a rate on land values alone was substituted. The general expectation was that such a sweeping measure would certainly reduce the value of land, particularly in the centre of the city. Three or four years afterwards reports to the contrary effect came home.

The most thorough experiment of which we have an official account is that of Queensland. About 1890 the finances of the State were causing grave concern. The subsidies granted by the Government to local authorities had grown to £276,000 under the old system of rating. In that year, Sir Samuel Griffith's Government introduced a Valuation and Rating Bill. It was amended in its progress through the Legislative Assembly, or Lower House, to exclude improve-

ments entirely from the burden of rates. This move called forth the various kinds of opposition which have been offered to similar measures in different countries. The Legislative Council, or Upper House, at first refused to entertain the principle, and a serious dispute arose between the two Houses. The Premier, however, stood firm, and the Bill was ultimately passed.

An account of its passage and effects is given in a White Paper.¹ "The usual forebodings of disaster were not wanting," but none of them have been fulfilled. The new system only got into full operation about 1894-5, but by that time the Government subsidies to local bodies had been reduced to £63,000, and since 1903 they have been entirely discontinued. This should be of interest to our legislators at the moment, when they are seeking a method of dealing with the relation of local and national taxation. The rating of land values enabled the Queensland Government to solve this problem to the satisfaction of all interests.

According to the official report, this "promotion-of-improvements principle . . . has worked in operation with fewer difficulties than its most sanguine supporters could have anticipated." It will be remembered that the Australian financial crisis occurred in 1893. With reference to this fact, it is stated that "the absence of any tax

¹ *Working of Taxation on the Unimproved Value of Land in Queensland.* Cd. 3890, 1908.

SOME EXPERIMENTS AND THEIR LESSONS 21

upon improvements considerably relieved the tension imposed upon the holders of improved properties during the depression, and also encouraged building operations being undertaken at an earlier period and to an extent that would not otherwise have happened." Architects, builders, estate agents, and men in similar professions have found the system of advantage to their business. When the question of new buildings was under consideration, they were able "to point out the peculiarity of the Queensland system in exempting the improvements from taxation, this fact counting as an encouragement to the expenditure of money to render unimproved land revenue producing."

Reports from New Zealand, where the system of rating land values has been adopted in a large number of towns and rural districts, are to the same effect. No complete or official account has come from New South Wales, in which Colony the principle was applied in all local districts except Sydney in the year 1906. But numerous reports from private sources show that every class is satisfied with this change in the basis of rating from the value of land and improvements together to the value of land alone.

The Commonwealth tax, which came into force in 1911, ranges from 20 per cent. on the value of smaller estates to 70 per cent. on the value of estates owned by absentees. So far from having ruined landowners, it has increased

their incomes, and made the next step not only possible but necessary in the near future. Progress would have been much slower if the anticipations of its advocates and opponents had been fulfilled, if landowners, crippled financially, could appeal from their misfortunes for delay in the infliction of the next blow. As it is, some politicians are already "anxious to make the higher rate effective over a larger proportion of the value,"¹ and this cannot be long delayed.

The recurring order of events in Australia and New Zealand in this connection is curious. A proposal to tax land values is made, and immediately there is a protest from some landlords and land agents. This protest is continued while the measure is passing through the Legislature, and for as long time after as is necessary to bury falsified hopes or fears. Then these same people settle down to enjoy the benefits of the general prosperity largely due to the innovation which they condemned. The most remarkable feature of the situation is that the perpetual grumble which goes on against this beneficent policy is quite inconsistent with the experience of the discontented persons. Their objections or fears spring from a melancholy prospect which is never realized.

Similar demonstrations have attended the introduction of this principle in Great Britain, and to a less extent in Germany. In Western

¹ *Times*, February 28, 1912.

SOME EXPERIMENTS AND THEIR LESSONS 23

Canada, however, its adoption seems to have easily followed the perception that, in the matter of local taxation, this was far the best business arrangement. Mr. William Short, ex-Mayor of Edmonton,¹ says that in his city the change to the new system was

"a prosaic matter of business," that it "has been an unqualified success, and it is with pleasure that we speak of it. . . . All taxes on business are imposts that should be done away with, and the keener students of municipal affairs here are advocating that now. . . . I can with good grace say in conclusion that no community that will levy its taxes upon land values alone, irrespective of buildings or improvements, will ever regret the change, if it be made with care."

The Premier of Alberta has now introduced a Bill to make the Single Tax compulsory for local purposes over the whole province within the next seven years.

Further West, in Vancouver and other cities of British Columbia, all rates on improvements have been repealed. In Vancouver the whole local revenue is raised by a rate of 2 per cent. on the capital value of land, equivalent to 4s. in the pound on the annual value. Experience has taught even the large landowners that this policy is favourable to their interests, and on this ground none of them would revert to the old system. The value of land has increased in spite of the direct rate levied on it.

¹ *Single Tax Review* (New York), September-October, 1911.

These Colonial experiments have been thorough enough to furnish tests of theories which have been widely held. It was generally assumed that a direct tax on what is called land value would diminish this value. This has never happened. Those who held this view overlooked the effect of remitting the existing indirect taxes on land value. The remission of the latter has always been the cause of an increase greater than the reduction due to the imposition of the former.

Another economic theory which has long determined economic practice is being rapidly undermined. It was thought that landowners reaped financial benefit by holding up land for a higher price in the future, and that they would lose by the tax which induced them to permit development at the real or current value. Owners now find that this is a mistake, and that it is much more profitable to let development proceed, and to move on with it. "Speculative holders of real estate, who have been content to wait for a rise in value, find now that it does not pay to leave such property unproductive."¹

A common view has been that the mitigation of poverty, or an increase of wages, necessarily involved a reduction of economic rent or land value. The taxation of land values appealed to those who held this view, because they thought

¹ *Canada*, May 27, 1911.

SOME EXPERIMENTS AND THEIR LESSONS 25

it would bring about this reduction from its first imposition. Some of them resent the testimony of facts or experience, and attribute the increase in land values in the Colonies solely to immigration, railway development and other movements, and not at all to the change in the system of taxation. The effect of such a change, they argue, is all in the direction of reducing land values. This view is contrary to official and unofficial reports. In these it is claimed or admitted that the new system by its influence on immigration, by its encouragement of the expenditure of capital and labour, is the most fundamental cause of the increase in land values. With any other system of taxation these activities would be less vigorous, and consequently land values would be lower.

The change from the taxation of improvements to the taxation of land values increases the value of land, if population remains stationary, or even if it declines ; for, apart from the variation of their numbers, it increases the producing power of the people, and this is the fundamental cause of land value.

So far as experience has gone, landowners have not suffered financially under measures of this reform. Opponents of the taxation of land values object that Colonial experience does not assist us in discussing conditions in Great Britain. It is one thing, we are told, to apply such a principle in a new country, and another thing to

26 TAXATION OF LAND VALUES

apply it in a country where interests have taken deep root and spread themselves wide. But there is no difference. The interests must be separated and defined in either case. It may involve more work, but this can be done with as much accuracy in an old and densely populated country as in a new and almost empty continent. Through a careful valuation, this principle may enter into the complex economic systems of Great Britain, France and Germany as easily and gently, and with as general approval, as it has entered into the simpler systems of Australia and Western Canada.

III

THE VALUATION OF LAND

PREJUDICE has arisen against the taxation of land values owing to an impression that it is not to be the taxation of land values, but, in many cases, the taxation of speculative or future prices. Valuation in the past has been an unaccountable operation, producing very strange results. "Fancy" prices and rents have been asked for land. They have often had to be paid. This has suggested an easy argument to reformers. "Pay the landlords," they say, "in their own coin. If they fix the value too high for purchasers, tax them on it. If they fix the value too low for taxation, buy them out at their own figure." The principle of valuation is conspicuously absent in both cases.

Estates in the neighbourhood of growing towns are often sold or leased in small lots. For these small portions high prices or rents are obtained. There is one such estate which has frequently been cited as an example. It extends to 800 acres, 300 of which have been leased and built upon, while 500 still await development. If a builder

requires any one acre of this land, the landlord asks a ground rent of £60. Some reformers tell us that we have 500 acres here, every one of which has a capital value of £1,200, and that the landlord would be taxed on £600,000. They argue that this policy would compel him to develop. It would. But the proposal gives occasion for reasonable objection ; for it is certain that the value attributed to this area does not really exist.

Because valuation in the hands of landlords has been irregular and unfair, it is assumed that it must always be so. Nothing is more erroneous. Valuation has hitherto depended on the caprice or passions of men ; it is possible to base it on their reason. By having the right to value conferred on them landlords have been given motives to value from their own immediate point of view. Partial and one-sided valuations are inevitable. And is there much cause for wonder if this erratic policy has produced similar schemes as remedies ? The temptation to engage in a sort of punitive expedition, armed with taxation as a weapon, is attractive, but it is not business, and no Government will seriously consider it.

But an adequate valuation is necessary in the interests of business. The alienation of capital and labour from land is largely due to the manner in which land has been controlled. Excess of rent, insistence on slightly unreasonable conditions, indifference to the cultivation

or development of their land on the part of owners, prevent land, capital and labour from being properly co-ordinated. The late Lord Goschen was a shrewd and practical observer of these matters, and cautious in his judgment. Many years ago, he discussed the relation of capital and land from this point of view. He was speaking on the housing question. "No element," he said, "in the whole matter is more important than how, and at what price, sites can be obtained. The readiness to embark capital will depend on the cost of sites."¹ The same principle applies in every industrial undertaking. But in all settled countries this principle is far too little regarded. Disrespect is shown to capital; its character and requirements are not appreciated. These are modest enough, and even if some people do not consider them modest, they are necessary and unalterable. This fact remarked by Lord Goschen has been apparent to business men of every kind for generations. Capital is timid, and often hesitates before engaging in an enterprise on account of "the cost of sites." A certain amount of capital available for investment, and with it a certain amount of labour, is thrown out of opportunities for its application and left idle. Business men are offered the fatal alternatives of idle labour and capital on the one hand, or unsound enterprises on the other. By this pro-

¹ *Essays and Addresses on Economic Questions*, p. 311.

30 TAXATION OF LAND VALUES

cess a constant burden is imposed on the producing community.

With the influence of this system at work, separating labour and capital from land, there can be no settled prosperity for any class. While the merchants and manufacturers of London and Manchester are preparing to satisfy an anticipated demand as great as, or greater than, last year's, their customers are being hemmed in and crippled on the farm and mineral lands and on the building areas. Farmers, builders, coal and iron masters, and with each of them several labourers, are held off or knocked out by unreasonable terms.

Within recent years capitalists and labourers have betaken themselves readily to new countries. They fear the rude and thorny obstacles of the bush and prairie less than the uncertain conditions so frequently offered by our land system at home. Attracted by the freedom, security and reward essential for a comfortable material existence, and a little more, they turn their backs on great social advantages that are less indispensable and more elusive. Perhaps no finer fruits of civilization are obtainable anywhere than in Great Britain. But men find they fail to obtain these things here, in spite of their abundance, because they miss the chance of earning a necessary livelihood more often, perhaps, than anywhere else. To walk within sight of splendid things and never be able to reach

them, or, having reached them, to be deprived of them by some downward movement in business, is less satisfactory than the more assured enjoyment of what is needful. This accounts for the strong drift of population to the British Colonies. Good men with abundant capital are there gaining access to land. They are adding to the wealth of these new countries, and increasing the value of their territory. Had they remained, they would have done the same for the land of this country. Not only with their wide areas of land, but through their wise land systems, the Colonial Governments have succeeded in adjusting the relations of capital and labour to the land.

Economic science has made the existence of certain facts and the operation of certain laws clear enough to make an improvement in economic practice possible and even easy. There is a thing called economic rent. Economists who differ on almost every other point agree on this. They define this rent generally as that part of the produce from any undertaking which remains after their accustomed returns have been reserved to the capital and labour engaged in it, the part which is normally due to land. But no serious use is made of this knowledge. Rents and prices above its economic value are frequently paid for land. When this excess is carried far enough, widespread unemployment and business depression occur. Wages, interest and rent fall.

This chronic evil in economic practice is not a feature of the landlord-tenant system alone; it is not confined to Great Britain and Ireland. One of the most vivid descriptions of its operation is given by Henry George.¹ With an American experience, for the most part, he shows how speculation in freehold land fatally undermines industry and interrupts the steady advance of wages, interest and rent. To this speculative advance in rent he attributes the recurring industrial depressions, and there is no better treatment of the subject from the business man's point of view. The mischief which appears in the form of excessive rent in Great Britain shows itself as excessive interest with mortgaged owners in Denmark, Germany, France, and America. Slight as the evil may be in particular cases, it has a cumulative effect, the weight of which causes a general breakdown of business. With some little known exceptions, no system of land tenure is free from this disturbing element.

There is as much reason for basing the art of political economy on its science as there is for making the art of engineering obey the science of engineering. What would be the use of knowing that certain kinds of steel and bronze were the only reliable metals for the construction of ships' engines and screws, if engineers constantly allowed a fatal amount of base metal to get into the

¹ *Progress and Poverty*, Book V., chap. i.

castings? What advantage is there in knowing that the payment of economic rent and no more is an essential part of every man's business, if no use is made of this knowledge, if capitalists are frequently compelled to pay a ruinous excess? Some landlords have been careful to see that their tenants' positions rested on the payment of economic rent; others have made or allowed different arrangements. Tenant farmers have always known that this was the fundamental and decisive part of their business, but as a class they have never been able to master it, to set rent in its proper place and proportions. It periodically gets out of hand and upsets their career. Economists have known that the payment of not more than economic rent was an indispensable condition of every sound business, but, like the farmers, they have failed to express their knowledge in practice. They have not been able to induce the country or its political leaders to construct a system with this condition as one of its working parts. A skeleton framework, that is to stand too much aloof from actual life, has been set up in the Finance Act of 1909.

The valuation of land prepares the only safe path for industry. Capitalists are projecting new enterprises. They are pushing forward with a demand for land. In a community where industry secures anything like due appreciation, provision would be made to receive all

those enterprises with a respect and attention similar to that accorded to royal personages, to accommodate this demand with what it requires, to treat it at least with absolute fairness. There is no such provision to-day. The users of land in Great Britain may hold their land under five million agreements or leases. If an impartial and accurate valuation were brought alongside of all these agreements, it might be found that under more than one half of them the users of land are being treated with substantial injustice, that they are paying too much, or that they are subjected to unreasonable restrictions which prevent them from realizing the full value of the land. Old charters and monopolies hinder development and foster nuisances unprofitable to every one, thoroughfares are turned aside through the ill-considered decisions of landlords to the daily inconvenience and loss of hundreds. A national or State valuation of land, when fully worked, would search out and reveal all such cases, showing where and how far enterprise is being baffled and turned back, and how much loss is inflicted on the community.

The valuation would wait obediently on the demand for land and declare the value in strict accordance with the form and extent of this demand, just as the shoemaker shapes, or ought to shape, the shoe to the foot. It has sometimes been assumed that land would be valued and taxed according to the average value of estates,

or of some existing divisions. This would be a mistake. An estate of 500 acres may have a rental value of £1,500. This total may be composed of several kinds of value, due to different kinds of demand. There may be a building demand for 10 acres, and these may have a value of £40 per acre, or £400; 30 acres may be required for market garden purposes at £6 per acre, or £180; and the remaining 460 acres may have an agricultural value of £1 10s. per acre, or £690. The values, following the demand, might be even more minutely and variously divided. The valuation would discriminate in each case, and the tax, not distributed on each acre at the average rate of £3, would be heavy where the values are high, and light where they are low, thus securing efficiency and justice.

With the economic value of every holding picked out occupiers would know exactly how they stood, whether their economic position was sound. This knowledge would be valuable. Men unfortunately situated could endeavour to alter their position.

It may be asked why a Government valuation is necessary, and why it should be used to fix the terms on which men are to occupy land. It is obvious that the Government alone possess the means and the impartiality necessary to value every piece of land according to a uniform principle. No other agency could secure justice as between one landlord and another, or obtain

the full value and no more, as the basis on which to levy rates and taxes.

But why, it may be asked, should rents be fixed by the Government valuation? Because that valuation is the only available record of economic value, and no sound economic conditions are possible, unless the users of land are paying neither more nor less than the economic value of land. There can be no such thing as the taxation of land values under any other system. This condition may be ideal, but it is that to which economic practice must be shaped in order that reasonable success may be attained.

Rough-and-ready methods may serve in the Colonies, and, to begin with, in old countries, where a slight approach to justice in the matter of taxation is appreciated. They are intolerable as a permanent arrangement in the midst of numerous and growing interests. The valuation of land is one of the most fundamental activities in economic practice, and is subject to strict and unvarying laws. It is peculiarly and exclusively a governmental or communal function.

The interpretation of the taxation of land values by some exponents gives the impression that it is to be the taxation of the highest bids or offers. They believe that these offers represent the actual values of land, and they propose not only to use them as the basis of taxation, but suggest that they should continue to be the amounts payable as rent. They contend that

any other method of fixing values and rents is Socialism in a reprehensible sense of the word, and an interference with the liberty of individuals.

Henry George was afraid of corruption, if the State should do anything more than take the value by means of a tax. He said it was not—

“necessary that the State should bother with the letting of lands, and assume the chances of favouritism, collusion and corruption that might involve. It is not necessary that any new machinery should be created. The machinery already exists. Instead of extending it, all we have to do is to simplify and reduce it. By leaving to landowners a percentage of rent, which would probably be much less than the cost and loss involved in attempting to rent lands through State agency, and by making use of this existing machinery, we may, without jar or shock, assert the common right to land by taking rent for public purposes.”¹

Whether corruption was unusually prevalent among officials in the United States, or whether Henry George had not fully considered the practical application of his principle, this emphatic statement is out of harmony with the requirements of that principle itself, and with the results of experience. He modifies this statement in a later work, and leaves the question open.

“Whether or no,” he says, “this would prove finally the best way of obtaining for the community the full return which belongs to it is hardly at this stage worth discussing.”²

¹ *Progress and Poverty*, Bk. VIII, chap. ii.

² *Social Problems*, chap. xix.

Every scheme for the taxation of land values has made necessary the creation of some new machinery, and in Great Britain it is a vast piece of machinery, which is destined to become greater and more important every year. Nothing is more interesting than to watch this valuation of land unfolding itself in its true nature in the hands of British politicians. Nothing has been the subject of keener criticism on the part of men inside and outside of Parliament. Mr. Lloyd George, the present Chancellor of the Exchequer, and Mr. Austen Chamberlain, the late Chancellor, are practical and matter-of-fact men. They are not theorists, but this problem was brought somewhat nearer solution in their discussion of it in the House of Commons.¹ Not only has the valuation of land been recognized as a function of the Government, but it was agreed that this Government valuation should be subjected to a critical review by a commission representing the

¹ Mr. Lloyd George, speaking on December 13, 1911, said: "The right hon. gentleman (Mr. Austen Chamberlain) suggested that the time has come for an inquiry (into the valuation). I am not closing my mind to the question of an inquiry. You must have an inquiry sooner or later. . . . I am not going to predict what would happen. . . ."

Mr. Austen Chamberlain: "We will risk the result. What we want to know is whether the valuation is just."

Mr. Lloyd George: "That is very important. It is of first-class importance that you should have a valuation which will command the general confidence of the community. I do not mean merely the partisans on either side. You ought to have a valuation which will satisfy the general sense of fair play and justice. That is very important, and it is desirable at a fairly early stage to have an inquiry into the way in which the valuation has proceeded." *Hansard*, vol. 32, No. 167.

community, so that, in the words of Mr. Lloyd George, we may have "a valuation which will command the general confidence of the community . . . which will satisfy the general sense of fair play and justice."

There can be no mistake about the character of this valuation. The highest bids, the landlords' or tenants' estimates, are revised by the Government, and the Government's valuation is to be revised by a commission, and the result will be a sort of doubly distilled, communal product. One commission of inquiry is proposed, but the quickened interest of landlords and tenants is likely to render thousands of a more local and particular kind necessary. All the elements to bring this about are present in the situation. This valuation is to provide the measure or standard of payment by landowners to the State. The provision has awakened their determination to shape that valuation as far as possible.

Their behaviour in this case illustrates the working of economic laws. When the edge of valuation is turned towards them, and looks as if it might cut into their wealth, they appeal for a just valuation to an impartial tribunal. With their immediate and salutary interest in politics, they have also enough influence to make this request successful. For centuries valuation has been in the hands of landowners with its edge turned towards the tenants. It has cut and bitten deeply into their subsistence. They have

made frequent appeals, and the hard lot of a vast number of them has been an eloquent and moving plea for a fair valuation. They have hardly ever succeeded, because their economic position was too weak, and their influence in politics too slight. The history of agriculture in Great Britain and Ireland, and the history of house-building in London and throughout the country, are largely records of ineffectual appeals against unjust valuation and unfair leasehold conditions. To permit landlords on any ground whatever to use what is universally known to be an unjust valuation in requiring payment from tenants, while they repudiate such a valuation as between the Government and themselves, is unsportsmanlike, unbusinesslike and unjust.

Mr. Lloyd George has declared that the payment of land value by the landowners to the State is to be determined by the "general confidence of the community—the general sense of fair play and justice." This means nothing more or less than that the Chancellor of the Exchequer has discovered the scientific basis of valuation, and that he is going to use it. Such a statement, from such a quarter, is significant and full of promise for the future welfare of the country. It is of immediate importance as a precedent for adopting the same principle to determine the payment of land value by the tenants, either to the landlords or to the State. If all Mr. Lloyd George's repeated emphasis of the urgent necessity

for a just valuation to fix the payment of land value by the landowners is justified—and we believe it is—how much more justifiable is it in the case of the users of land? For too many of them over-valuation and over-payment are not problematical, but actual and of long standing. They have urged their case long enough and respectfully enough, and the Government may with good grace concede their oft-repeated and unheeded demands before another depression forces a concession through the weight of misery and suffering.

Such a policy may be advocated from prepossession rather than derived from consideration of principles and facts. In the present case, however, our prejudice has been on the other side. But it has always been difficult to defend Henry George's proposal to put new wine into old bottles. If the value of land belongs to the community, the management of this value also belongs to it. The community has the right to reject and remove everything hostile to the growth of land value, and to make every arrangement consistent with its increase. In no closely settled country is the individual allowed to do with the land what he thinks will bring him most profit, or even what he thinks will be best for the public interest. This is the function of the latter. The community itself has an acknowledged right to protect in many particulars the amenity of the district under its charge, and the amenity_ of a district

42 TAXATION OF LAND VALUES

is only one form of its land value. Thus, the introduction of a new principle in the separate valuation of land by the Government, and its direct taxation, are causing old institutions to crumble and new ones to grow. Nothing can stop this process. It is a gravitation towards justice. The taxation of land values carries with it a Government valuation of land. The Government valuation evokes the active interest and criticism of the landowners. Their activity opens the doors and invites or necessitates the interest of all other parties to produce an all-round, representative valuation. No one can say when the machinery for this purpose will be full-grown. When local men have their voice in valuing local land, the valuation will really express "the general sense of fair play and justice." And before this valuation all others will disappear.

The institution in which the highest bidder and landlord have the final words in fixing the rent is threatened. In Scotland it has now largely gone under the Small Landholders Act (1911). Objection is taken to this as an interference with individual liberty. But this liberty only gives the individual the right to break an economic law, to bind himself by an agreement to pay more than economic value, to displace some one who is probably the suitable tenant, to deplete his own capital, deteriorate the land and reduce its rent-bearing capacity. On the best-managed estates the system of accepting the highest bidder has

long been discarded, and the landlord or his agent selects the tenant who, in his opinion, is the most likely to develop the land in the soundest manner. But these estates are too rare. Since the beginning of the nineteenth century, Royal Commissions and Select Committees to inquire into agricultural distress have been very frequent. One story has been told before them all. Prices fell and bad seasons came, and farmers were crushed between the nether millstone of high and stationary rents and the upper millstone of falling prices.

There were wise landlords who reduced their rents and saved the tenants; there were others who defied and violated every principle of valuation, and waged disastrous war on them. One quotation may be given from evidence submitted to the Select Committee of 1836. Mr. John Houghton, a land agent in eight of the southern and eastern counties of England, was asked if the landlords had not given reductions, even when farmers were bound by their leases to pay certain amounts. "That very much depends on circumstances," he replied. "I have known instances where landlords have acted very liberally towards their tenants, and I have also known instances where there have been acts of great oppression."

These are the instances which must be got rid of, because they are sufficient to cause every kind of injury, not only to those immediately affected,

but to industry as a whole. One remedy for this evil is a tax on land values, to open up all land, and reduce the number of competitors for every opportunity. But this would not eliminate the excess of the highest bids over economic value. Men are not only pressed by necessity to offer too high rents ; they are drawn by ambition and young hopefulness, misguided by inexperience and pushed by individual motives. It is true that there must be free competition ; but, when this argument is used, it is generally assumed that the only and final tests of candidates are their immediate money offers. The principle is obviously defective. Competitors have other points whose value must be estimated before the award is given. The community's view must be long and wide enough to measure the capacities of the bidders to utilize the opportunity in question, and to play their proper part in maintaining its value and that of the neighbourhood in which it is situated, and neither bidder nor landlord should be the final interpreter of the community's view in this matter. Valuation by either of these parties is almost a contradiction in terms ; for the impartial play of the reason which alone can measure value is inevitably disturbed by personal motives in either case.

Lord Londonderry, speaking on the agricultural depression, at the Darlington Chamber of Agriculture, on December 28, 1894, impugned the present system.

"It was not," he said, "to the advantage of the landlord to possess a tenant who attempted to pay a higher rent than he could afford. The landlord did not fix the rent. It was fixed by competition. When some men who had not been brought up to agriculture, who had not studied the question from a practical point of view, offered rents that they were absolutely unable to pay, and which the land was incapable of producing, it was dangerous to all concerned. He could not help thinking that, to a great extent, the root of the present evil was to be found in the offering of competition rents which the land was unable to bear."

It is incorrect to say that the landlord does not fix the rent. The final verdict has always been with him. Just as the Government fixes the valuation on which the landlords are to pay under the Finance Act, so have the landlords fixed the rent for their tenants. Competition is the basis of both results, but for the Government valuation there is a power of revision which expels the dangerous and unsound element, and too great care cannot be taken to see that this is done in each case.¹

¹ In the *Quarterly Journal of Economics* for November 1910, the following interesting account and criticism of what is known in the United States as the Somers system of valuation are given: "The valuation of the units is arrived at in the following manner. The City Appraisal Board of Cleveland estimates tentatively the unit values of the various streets, beginning at the public square and working out in every direction to the corporation limits. By means of maps and a campaign of publicity in the city newspapers, these tentative valuations are scattered broadcast, and the community is invited to discuss them. At a series of public meetings of the Board, section after section is covered, many parts

Some reformers argue that the economic value of land cannot be ascertained to-day, that a fair rent cannot be fixed, because land is withheld from use, and economic conditions are generally unsound. But the elements of economic science are never destroyed by a breach of economic laws, any more than the elements of physics are destroyed in a railway collision, or in the fall of a building. Experienced valuers can measure the demand for land, and its worth in money, to-day as accurately as ever they will measure it. That demand is less than it would be under free conditions, but, however it may alter, the art of measuring or valuing it is always the same. There are restrictions on the use of land which obstruct the free course of demand, and are unreasonable from the community's point of view. When the valuer after consulting local opinion had decided that restrictions were unreasonable, they would be

being gone over several times until all interested persons are given ample opportunity to appear before the Board and submit evidence in favour of changing the tentative unit values. After being thoroughly debated by the public in this manner, the unit values finally agreed to by the majority are regarded as representing the consensus of opinion. These unit values are confirmed by the Board, and are not open to further discussion. . . .

"Though this scheme probably has some imperfections, it is undoubtedly the most scientific, elaborate and systematic system of valuing real estate that has ever been used in the United States. There could be little objection to its theoretical basis, community opinion. Some doubt may exist as to the accuracy with which community opinion has been translated into actual values by the various tables and other devices of the present system. These must faithfully represent the best informed community opinion."

removed, and capitalists and labourers would then be allowed to express their demand freely. On the same principle, and with the same object of maintaining the value of land, reasonable restrictions would be imposed, and with demand operating on this basis its measurement would be simple and absolutely certain.

To be useful, the valuations should be frequent. In the Province of the Punjab, India, the system of assessing the value of agricultural land every year, or even twice a year, is adopted. There are advantages and disadvantages attached to the system.¹ Remarkable progress has been made in improving Indian conditions by means of valuation.²

When Mr. Lloyd George proposes to base the valuation on "the general confidence of the

¹ "Whether the advantages outweigh the disadvantages or not is a matter that may safely be left to the judgment of the peasants who have tried both plans; and the success of the system may be judged from the fact that, of the thousands of villages whose land revenue is now assessed harvest by harvest in this manner, hardly one would willingly give it up, and revert to that of a fixed average assessment. The system has also the indirect advantage of bringing the superior revenue officials into close contact with the villagers; and, above all, it makes the Government share directly and immediately with each individual cultivator in his losses as well as in his profits, and so avoids the odium of a seemingly callous realization of a fixed demand from poor peasants in years when their crops have failed. More than a sixth of the total land revenue demand of the Province is now collected under this system of fluctuating assessment, and it is becoming common for villagers to ask to have its benefits extended to them."—Sir James Wilson in the *Journal of the East India Association*, July, 1910.

² *Imperial Gazetteer of India*, vol. iv., chap. viii,

48 TAXATION OF LAND VALUES

community—the general sense of fair play and justice,” he is referring his policy to the soundest business principle, although his statement may seem to have more of a moral significance. Wherever this principle has been followed even a little way, the results have been universally approved.

In 1886 a measure of valuation was passed in the Crofters Act of Scotland. For many years previous to that time landlordism had assumed its most aggressive and hostile attitude towards the small farmers. They were arbitrarily evicted from their holdings, and oppressed by excessive rents. They resisted these injustices; riots took place, and were only partially quelled by force. Under the Crofters Act, security of tenure was granted, and rents were revised by an impartial tribunal. In seven counties of the north and west of Scotland to which this system applies, 21,368 holdings have been revalued. The total reduction of rent has been £21,914, or just over £1 per holding; arrears amounting to £124,806, or less than £6 per holding, have been cancelled. The result has been gratifying beyond expectation. On an extremely inadequate basis of land in most cases, but with this simple infusion of justice into the conditions of their tenure, the crofters or small farmers have steadily prospered. The majority of them have built new houses, improved their land, and saved substantial sums of money. Now, when the shooting tenants go north, they are

amazed at the change in the crofters' conditions.¹

There is no case where such a slight and inexpensive reform has produced such sound and abundant fruit. In 1886, the plight of these crofters resembled that of a fleet that had been defeated and scattered at sea, and afterwards driven ashore by a storm. Their homes are still dotted here and there on the tiny, and often barren, plots they were able to retain in the teeth of aggression. But they have largely repaired the damage to their interests, and are now ready to venture into larger holdings. This opportunity has been given them under the Small Landholders Act (1911), which extends the principle of security and valuation to farms of 50 acres and under, or £50 rent and under, throughout the whole of Scotland. The reform has commended itself to the landlords and agents as well as to the crofters. "I was opposed to the Act in 1886," said the owner of a large Highland estate to one of its supporters ten years later. "I was opposed to the Act. I have changed my mind now. I had the name of getting rents before, but did not get them. Now I know what I am going to get, and get it." Every one is better off under the new system.

There is no class of land users in a more sound

¹ "The Ross-shire Crofters' Club Show was held at Tain yesterday, when there was an increase in the entries on last year's show. The quality of stock in all departments was reasonably high, particularly in horses and cattle, which were a revelation to large numbers of southerners who are tenants of shootings in the district, and who were present in the show-yard during the day."—*Glasgow Herald*, August 9, 1911.

economic position than these small holders in the Highlands of Scotland. Security of tenure and a just valuation for the payment of rent and rates have enabled them to become independent, and to free themselves from poverty and its fear, and this without imposing any strain on the financial resources of the State, and without permitting or encouraging the farmers to involve themselves in mortgages, the fatal principle of Danish, German and French small ownership. On these too narrow and inadequate plots of land, a fine and intelligent race of men has been produced under this system. How much more would it do with holdings of sufficient size, in the fertile lands of the south, and in the towns and cities!

The long leasehold tenure in London has proved as injurious to tenants and to the community as anything in the agricultural districts. So long ago as 1885, the present Lord Chancellor (Lord Loreburn) wrote a book, in collaboration with Mr. Henry Broadhurst, M.P., strongly condemning the system. "The public requirements," he concluded, after advancing arguments from many points of view, "the public requirements demand that there should be an end of this leasehold system."¹ Still it persists, and is the object of attack by the President of the Auctioneers' Institute in his annual address:—

"The 'dead hand' of covenants," says Mr. John Marks, "which were out of accord with current

¹ *Leasehold Emfranchisement*, p. 103.

requirements, lay heavily upon London. Properties which were originally developed residentially, but had long since been either within the commercial area, or had ceased to be suitable for housing, were still subject to onerous restrictions, which prevented the proper user of building or sites."¹

The leasehold system places rigid arrangements in the midst of constantly changing conditions. A lease which stands in the way of development, which keeps antiquated and inferior buildings on a site for years, deprives the lessor, the lessee and the community of their respective shares in the larger production which is possible. It is thus that the valuable land of London is blighted, that the builders and houseowners are hampered and over-rented as seriously as the peasants of Ireland and Scotland were. The evil is the same everywhere, and every one is injured.

As the evil is one, so is the remedy. What the Scottish crofters have obtained is all that the tenants of building land, of farms, of mines and quarries, require. Secure tenure under reasonable conditions, freedom to develop sites as changes arise, a valuation as flexible as water, responsive to every influence which affects the value of land, would do much to ward off business depression.

¹ *Presidential Address of the Auctioneers' Institute*, October 20, 1911.

IV

TAXATION AND RENT

POLITICAL economy is the study of men engaged in production, engaged in making money.¹ The question which this science has to answer is: What social laws are men to observe in order that they may acquire the greatest amount of wealth as individuals and as societies?

Nothing affects man in this position more intimately than the management of taxation and rent. These things are not bad in themselves, although, owing to their misuse, nothing bears a worse reputation. The kindest thing that is said about them by critics or victims is that they are necessary evils. Confronting man as a producer, or standing over him, have been the Government and the landlord. Their strength is superior to

¹ If more elaborate definitions are desired, there are Mill's and Marshall's. "The science which traces the laws of such of the phenomena of society as arise from the combined operations of mankind for the production of wealth, in so far as those phenomena are not modified by the pursuit of any other object."—Mill, *Unsettled Questions of Political Economy*, p. 140,

"Political Economy, or Economics, is a study of man's actions in the ordinary business of life; it inquires how he gets his income and how he uses it."—Marshall, *Principles of Economics*, vol. i, p. 1.

his, and at times both have exercised their power in an absolute manner. The Government exacted taxes and the landlord rent. The story of these exactions in different countries would be the most reliable and illuminating part of their history. That history is largely a record of oppression and misery. There has been a widespread opinion that taxation has had little influence in shaping the destiny of the world. In recent years something has been done to correct this view.

To manage taxation and rent properly it is necessary to understand their nature. The most popular theory with regard to both of them is that everything is well where they are low, and amiss where they are high. Misleading comparisons are drawn between the proportions of the total produce that go to rent and wages in new and old countries. In new countries wages are high and rent is low. If a man is a hermit, if he is completely shut off from society, his wages will be 100 per cent. of the total produce in his hands. If he lives and works in a settled and well-governed district, where he has the daily use of public roads, railways, post office, telephones, water and drainage, in turning out his produce, his wages may be 55 per cent. of the total produce, while rent and taxes may be 45 per cent. This increase in the proportion of rent to wages is not an evil, if 45 per cent. of the produce is the fair value of the work done by the community in its production.

There are two methods of using land imposed on men by necessity. In one case they take particular portions of land, detach them from the places where they are fixed, and make them into houses, furniture, clothes, and food, which may be moved about at will. In the other case men must use land as a site for their various activities. It must remain in its actual situation in space, and, in order that men may use it for their satisfaction in this form, they must join together and bring certain services to the land to assist them in production, such services as roads, water-supply, sewers, gas, electric light and trams. Engines throb not only in private factories, but in municipal electric stations, to send the current along every street through millions of wires. Labour and capital are thus divided into two kinds, private or individual, and public or common, and these two kinds of labour produce on the basis of land two forms of wealth—wages and interest, the return to private enterprise, and rent and taxes, the product of public enterprise. If there are no roads, no common services in the backwoods, and no market accessible for the settler's produce, there ought to be no rent, as no one helps him to produce. Since common services of every kind are highly developed in New York and London, and vast markets within easy reach, rent ought to be a very high proportion of the total produce. The more of the necessary services which men perform for each other in common, the higher will

rent be, as they will pay for these services in the form of rent instead of in wages.

The distribution of wealth is not a matter of chance ; it is determined in the conflict among the landowners and the Government, the capitalists and labourers, for their respective shares. The capitalist, as the occupier of land and organizer of production, receives and holds the total produce first of all. If he does not own the land he occupies, the landlord as well as the Government comes to him from one side, and both demand the part of the wealth which they claim to have been produced by common services. From the other side come the labourers for payment of their services. There is little sentiment in the struggle which each party makes to secure as much as possible for itself. Bargaining and argument come first ; then evictions and forced sales by the landowners and Governments, lock-outs by the capitalists, and strikes or emigration by the labourers. Everything about this apparatus through which wealth is distributed is clear, certain and firm. The measures and scales used to serve out economic rent, interest and wages to their different recipients are not cast from pewter, or any other metal, in a mould, and stamped with the Government mark, but they are exact measures all the same. When the landlord and Government cut into the existing shares of capital and labour, the dullest and most degenerate capitalists and labourers wince and kick as if a bodily wound were inflicted on them.

"The avarice of Galerius," says Gibbon, "or perhaps the exigencies of the State, had induced him to make a very strict and rigorous inquisition into the property of his subjects for the purpose of a general taxation, both on their land and on their persons. . . . Even when the spirit of freedom had been utterly extinguished, the tamest subjects have sometimes ventured to resist an unprecedented invasion of their property; but on this occasion the injury was aggravated by the insult, and the sense of private interest was quickened by that of national honour."¹

The result was a successful rebellion, which cost Severus, the colleague of Galerius, his emperorship and finally his life.

There are measures of comfort which the peoples of different countries will insist on maintaining. There is the Chinese measure, the Indian, the Turkish, the Polish, the German, the British, the Australasian, and the North American. Each of these peoples is alive to the importance of its measure of comfort. They resist any shortening or reduction of it, and with varying degrees of energy are constantly striving for its increase. There is no more regular, accountable and clearly defined movement in any sphere of knowledge than this which distributes wealth.

Economists, taxing authorities, and land-owners have believed otherwise, and the two latter classes have acted on the opposite principle. Professor R. T. Ely, for example, speaks frankly on the subject.

¹ Gibbon, *Decline and Fall of the Roman Empire*, vol. i. chap. xiv.

"Taxes," he says, "are not an exchange, nor are they a payment. The sovereign power demands contributions from citizens regardless of the value of any services which it may perform for the citizen. This is a clear abandonment of the old legal fiction that taxes are paid for protection."¹

Unwise emperors and kings have acted on this view, and it has brought them revolution and death by the axe or guillotine; unwise governments in states and cities have adopted it, and they have always been ignominiously turned out of office. Americans may be fortunate enough never to see a foreign invasion of the United States, but, even with all the positive protection afforded by a State education, they would contribute a solid foundation in fact to "the old legal fiction," if the police of New York were withdrawn for a week. Some shrewd citizens, with their eyes always on business, would find themselves in positions where they would gladly pay 50 dollars for the protection of the police.

On this assumption that the taxpayers of a country are insensible and indifferent to the value of what they receive and what they give, governments resort to deceitful or indirect methods of exacting as much as possible from them without anything like adequate regard for justice. The anxiety to be fair accompanies the intention to deceive in the matter of levying taxes more often than in any other transaction. This inconsistent

¹ *Taxation in American States and Cities*, p. 7.

policy of governments springs from an imperfect understanding of the forces with which they are dealing. While the occupiers of land, the producers of wealth, know in a negative way what taxation and rent are, and protest as soon as their payment exceeds the proper limit, they have not been able to state positive reasons, or adopt positive means, for securing the strict observance of this limit. The economic rent or gross value of any piece of land, taken now partly by governments in the form of taxes, and partly by landowners in the form of rent, is the value of public services which assist the occupier to produce wealth, plus the value of public services which provide him with a market for his produce.¹ Or, to express this in a more general form, economic rent is that part of wealth which has been produced by the expenditure of capital and labour in common services, as distinguished from interest and wages, those parts which have been produced by the expenditure of private capital and labour.

This definition of rent is not to be taken as a statement of the law of rent, a subject which has generally received much more attention. It differs in substance as well as in form from that of

¹ The substance of this definition is found in Adam Smith. "The paving of the streets of London has enabled the owners of some barren rocks on the coast of Scotland to draw a rent from what never afforded any before. The woods of Norway and of the coasts of the Baltic find a market in many parts of Great Britain which they could not find at home, and thereby afford some rent to their proprietors."—*Wealth of Nations*, Bk. i., ch. xi., pt. ii.

Ricardo, which has been most widely accepted. "Rent," says Ricardo, "is that portion of the produce of the earth which is paid to the landlord for the use of the original and indestructible powers of the soil."¹ The flaws of this definition are not readily apparent, yet they are serious. Something essential is wanting, and something non-essential is introduced. Rent is a part of wealth, and therefore the product of labour and capital. Nothing can be regarded as a definition of rent which fails to show this as one of its indispensable features.

But the other parts of wealth are also produced by labour and capital, so that it is necessary to distinguish between the two kinds of labour and capital in order to make the definition complete. Before he proceeds far, Ricardo feels that "the original and indestructible powers of the soil" do not furnish even a plausible basis for the existence of rent in many cases, and he adds a second and distinct basis in such a phrase as the "peculiar advantages of situation." This consideration brings us back to the essential principle; for advantage of situation in relation to common services is the only thing that accounts for the existence and amount of rent.

Ricardo errs in his observation of facts, but his capital mistake is that he offers a definition which is not economic at all. The error is not

¹ *Principles of Political Economy and Taxation*, p. 49.

due to a casual lapse in expression ; it is a defect in a chain of thought. Ricardo, and other economists before and since his time, have treated political economy, not as a purely mental, but as a physical or chemical science.¹ Instead of confining themselves to man's activities in producing wealth as the subject-matter of their study—and it is a sufficiently wide field—they concern themselves with activities in the soil which are properly the groundwork of chemical science. This step leads to untenable conclusions. Ricardo goes on to show how rent arises, and in doing so describes a process which never takes place in real life.

"Thus," he says, "suppose land—No. 1, 2, 3—to yield with an equal employment of capital and labour a net produce of 100, 90 and 80 quarters of corn. In a new country, where there is an abundance of fertile land compared with the population, and where therefore it is only necessary to cultivate No. 1, the whole net produce will belong to the cultivator, and will be the profits of the stock which he advances. As soon as population has so far increased

¹ Ricardo emphasizes the influence of the chemical properties of land, and ignores the effect of common labour. "When land is most abundant," he says, "when most productive and most fertile, it yields no rent ; and it is only when its powers decay, and less is yielded in return for labour, that a share of the original produce of the more fertile portions is set apart for rent." *Ibid.* p. 63.

"When no other but the most fertile land is in cultivation, the landlord has the smallest share of the whole produce, as well as the smallest value, and it is only when inferior lands are required to feed an augmenting population, that both the landlord's share of the whole produce, and the value he receives, progressively increase." *Ibid.* p. 557.

as to make it necessary to cultivate No. 2, from which ninety quarters only can be obtained after supporting the labourers, rent would commence on No. 1." ¹

If Ricardo's supposition were not impossible, it might afford an easy solution of an important problem. But first of all, assuming the quality or value of the corn to be similar in each case, it is doubtful if 100 quarters in one case, and 80 or even 90 quarters in others, are ever produced "with an equal employment of capital and labour." The cost of producing any one form of wealth like wheat over a series of years approximates on the different lands devoted to its production. When the cost of production on any land exceeds this average for a sufficient time, the cultivation of the land for that purpose ceases. The land which yields 100 quarters requires more capital and labour for its cultivation than the land which yields only 80. "Good" land differs from "bad" land chiefly because it admits of the application of a greater amount of capital and labour to a given area. The presence of fertile elements in greater abundance in any one place involves the employment of more capital and labour to control and direct them. The larger crop, simply because it is larger, requires more capital and labour to reap, to stack, to thrash and to winnow it, to provide a market, to carry it there, and to maintain the roads over which it is carried.

In the second place, whatever variations there

¹ *Principles of Political Economy and Taxation*, p. 55.

are in the productivity of land, it is agreed that these affect the total amount of wealth produced, and they also affect each of the forms in which wealth is distributed. A low production means low wages, low interest, and low rent. When wages rise, rent rises, and when wages fall, rent falls. Rent varies directly with wages, and not inversely. Therefore Ricardo's illustration shows something the opposite of that which actually takes place.

In the third place, it is certain that the production of wheat by a given expenditure of capital and labour has not fallen from 100 to 80 quarters. On the contrary, the same expenditure that produced 100 quarters of wheat of standard value in Ricardo's time, or at an earlier date, now produces a greater amount, not less. Instead of 80, it perhaps yields from 110 to 120 quarters. This is proved by the fall in the value of wheat, since its value is the cost of its production. This fact is at once the refutation of the theories of Malthus and of Ricardo; for the latter's law of rent is simply the former's law of population stated in different form. There seems to be no other reason for discussing this question with reference to the production of food. If the existence of rent depended on an increase in the cost of producing wheat, there would be no rent; for, with the division of labour, the cost of producing wheat has fallen.

The mistake which arises from inaccurate ob-

ervation of facts is confirmed by the introduction of "the original and indestructible powers of the soil" from the world of chemistry. The habit of straying beyond the limits of political economy into the domains of chemistry, physics and astronomy is easy and excusable, but nothing is more confusing. Whatever the different activities in these regions may have brought to us we may accept with gratitude, but the jurisdiction of political economy only begins where these activities end, with the action of labour and capital, of man himself, in transforming the results of all other activities in the universe to shapes that satisfy his desires.

The essential error, therefore, is that we are given a definition of rent with reference to chemical activities instead of with reference to economic activities. There may also be definitions with physiological and moral references, but they are not economic definitions at all. The phenomena which they are intended to represent must be translated into their economic character and terminology before they are treated in the science, before they can be of the slightest use. They cannot otherwise serve as the basis for reasoning, or for the formulation of laws. The precedent set by Ricardo in adulterating the basis of political economy has been largely followed. Mill and Marshall have gone beyond the scope of their own definitions of the science. Instead of finding the cause of rent in the economic phenomenon of

the division of labour and capital for increasing the value of those portions and kinds of land which seem best to them, a phenomenon whose existence is indisputable, they find it in the alleged chemical phenomenon of a falling off in the supply of chemical powers available for man's use. They see the explanation of a surplus in a deficit. This leads to baffling and pessimistic views which are expressed in such melancholy forms as the Law of Diminishing Return. If there had been a resort to "inferior" land, and a consequent reduction of wages, even in the slightest proportion to the great increase in rent during the last hundred years, wages would have almost disappeared.

Adequate negative criticism of Ricardo's theory would require more space than this work affords. Our purpose here is to furnish an alternative and positive definition of rent consistent with the experience of business men. It does not matter what form of production we take, whether it is corn, jewellery, or banking facilities, the amount of labour and capital employed varies directly with the value of the produce, and on an average bears an exact and constant proportion to it. For the production of mutton and wool in the Highlands of Scotland, only one man is employed on an area of 700 to 1,000 acres, and only a capital of from £1 to £2 per acre; for producing corn in the southern parts of the country, one man is employed on 40 to 60 acres, and a

capital of £8 to £12 per acre ; for producing fruits and vegetables there is one man for every acre, and a capital of £50 to £60 per acre ; for producing these same commodities through the last stages in the busy markets of the city, and for assisting in every stage with banking and insurance facilities, 750 to 1,500 men are employed on an acre with a correspondingly large amount of capital. Co-operating with private capital and labour throughout the whole of this process are public capital and labour, the amount of the latter varying directly and necessarily with the amount of the former in every case. If a greater number of men devote themselves to production in different ways, if the same number increase their production, more capital and labour have to be set aside to provide common facilities for dealing with this increase, and this sends up the value of land.

The producers recognize this active partnership of "the land" or "the site" in their business, and they are willing to share the profits with it. When they take their corn, wool and coal to the market and get their price, they are conscious that they have been assisted in producing these things by having had the use of roads, water, telephones and other services, and that customers have been brought along for them with the help of the same agencies. When the merchant opens his warehouse, or the banker his bank, in London, he knows that the market which comes

to him from the crowded streets is only made possible by innumerable activities on the part of local and national governments. The same is true of the whole body of workers in all manner of occupations. Directly and indirectly they recognize and discharge this debt or obligation to the community, with a natural desire or bias all the time to drive a good bargain in fixing its amount. They leave part of it with the employers, and hand over part of it in the economic rent, or site value, of their dwellings.

A man's "ability to pay" in the only honest interpretation of that phrase is measured by that part of the total earnings in his possession which is produced by the community, provided he is using the land in the normal or proper manner. Economists, Chancellors of the Exchequer, and taxing authorities generally are always anxious to make every member of the community contribute his or her fair share to taxation. Instead of learning from the landowners, who never worry about this, but who nevertheless catch every one in their net, they recommend, or resort to, taxes on arbitrarily chosen articles to secure their object. The taxing authorities should have no fear; they should trust economic laws to bring out an equal result. There is no more just and inexorable measure of men's ability to pay than the value of land. No one can escape from it. The evil has been that, with restricted opportunities, the demand for employment and for

land has made the workers and employers too willing to leave more than was due to the community to the landowners and governments, to raise the value of land too high. But, even with perfectly free opportunities, and no arbitrary taxes, competition, based on the general sense of what the measure of comfort should be, will make land value the exact measure or expression of what is due to the community. Every advantage will have its due weight and effect in bringing the land value to its proper level.

The struggle in which wealth is distributed is unceasing. The pushfulness or competition of the producers serves the interests of landowners and governments. This struggle springs from the irrepressible efforts of men to increase their wealth. The economic method of fighting, the final method, takes the form of a constant movement in search of new and more favourable opportunities for the employment of capital and labour. Against an increase of rent on one estate tenants will move to another; against an increase of rates in one town they will move to another; and against an increase of taxes in one country they will emigrate to another. No political power directed against this movement can defeat it. It can only thwart it, and inflict loss on every class, by the curtailment of opportunities for employment. By the Statutes of Labourers, repeatedly enacted in the fourteenth and fifteenth centuries, labourers were bound to

different estates in order to prevent them from raising their wages by going where labour was scarce. They were branded in the forehead, but they continued to break the law, and to increase their wages.

The British miner has a certain standard of comfort which he endeavours to maintain or increase. The employer, pressed by the landowner and Government, seeks to reduce this standard, or opposes its increase. The miner strikes. The Armenian or Pole is satisfied with a lower standard of comfort. He is brought in, and the Briton emigrates rather than accept the reduction. He goes to the United States, or to the Colonies, where wages are higher, and gradually the British standard rises again.

The conflict is waged on all sides. A tax is imposed on tea. It is paid by the importer, and passed on to the wholesale merchant. It is paid by the latter, and passed on to the shopkeeper, who pays and passes it on to the consumer, the amount being increased at each stage. It is generally assumed that the matter rests here, that the transaction is closed with the consumer's wages reduced. But the final struggle only begins here—the struggle which is decided by the spirit of the parties to the fight, and by the relation between the number of opportunities for employment, and the number of men seeking them. If the wages prevailing before the tax reduced them were the wages which this relation

assigns, or sanctions, the tax will be taken out of rent by an increase in wages. If the wages were higher than those sanctioned by the relation referred to, the disturbance due to the imposition of the tax will leave wages at the proper level, and still the tax will come out of rent.

The same principle operates, when the movement sets in from the opposite side through a reduction of taxation. Rent will advance to absorb the amount of relief, if the relation between opportunities and the demand for them remains the same. A remission of rates owing to a subsidy from the profits of municipal undertakings, or through the Agricultural Rates Act, causes an increase of rent.¹ If taxation and the landlord's rent together do not exceed economic rent, taxation clearly comes out of economic rent; if the two charges together exceed economic rent, the landlord's rent will be reduced beyond what it would be if the users of land sat under economic conditions.

So far as capitalists and labourers are concerned, the two charges of taxation and rent are made in respect of the same thing. As producers, their prosperity depends entirely on their ability

¹ "In the Weald of Sussex a remarkable instance was adduced, where rent and poor-rate together amounted now to the same charge per acre as before the war of 1792; but the burdens had changed places; the 8s. an acre, which was rent in 1792, is now poor-rate; the 4s. per acre, which was the poor-rate then, is now the rent."—*Report of Select Committee on Agriculture*, 1833, quoted in *Annual Register* of that year.

to keep the portion of wealth due to their own industry safe and intact against the inroads of Government and landowner. As often as these break through this line of demarcation between common earnings and individual earnings, the producing machine is injured, and every interest suffers. It may be the Government, or it may be the landowner, who commits the transgression, but the result is the same. So long as individuals share economic rent with the community, the latter may arrange how much this is to be, but, in the interests of every one, the policy of exacting more than economic rent in the name of taxes and rent should be stopped at once. This might be the statesman's immediate aim. Having gained the foothold which this achievement would give, he could go on to solve with ease problems that have hitherto baffled him.

The relationship between the producer and the two superior parties associated with him has never been fair or businesslike. They are essentially stronger than he. They can crush him by their economic power, and they have done it. Landlordism, for which the community is responsible, but the functions of which are exercised by Governments and landowners, is injurious in four aspects. The first and worst of these is that under which the landowner shuts out the capitalist and labourer from the land; the second is that under which the Government and landowner exact more than economic rent in the name of taxes and rent;

the third is that under which the Government intrudes with its impertinent and oppressive taxes among the affairs of private business ; the fourth is that under which individuals appropriate the earnings of the community.

The mischievous domination of Governments and landowners over producers has rested on their power of dispossessing producers, of shutting up alternative opportunities for employment, and of exacting an undue share of the produce. Endowed with this power, they have put the producers in a corner, and depressed the standard of comfort for so long a time, and so far beneath the point at which the latter strove to maintain it, that they broke the spirit of the people. In Rome, in Central Europe during a later period, in France until the Revolution, in Ireland and Great Britain until to-day, this system has pressed with a too heavy weight upon industry.

The fate of Rome remains as an example of the finished product of this policy. Most modern European nations are simply associations of the innumerable fragments into which Rome shattered herself chiefly by the unwise use of taxation. The society which was the Roman Empire was disintegrated and unmade, the productive activities of her people were suspended, by taxation during the fourth and fifth centuries. In A.D. 311 Constantine visited the city of Autun, remitted the arrears of tribute, and reduced the capitation tax by 28 per cent.

"This tax," says Gibbon, "was so extremely oppressive, either in itself or in the mode of collecting it, that, whilst the revenue was increased by extortion, it was diminished by despair: a considerable part of the territory of Autun was left uncultivated; and great numbers of the provincials rather chose to live as exiles and outlaws than to support the weight of civil society."¹

There has been much minute study of this side of Roman history during recent years, and it has all served to emphasize the fact that the Empire never recovered from the effects of the vigorous operation of an imperfect system during these two centuries. Professor Dill has given us the results of patient and exhaustive research in two volumes, one of which deals particularly with this problem.

"There can be no doubt," he says, "that the hardened venality of the financial service, and the greed and rapacity of the great landowners, were the vices which did most to undermine the fabric of Roman society."²

In those passages where he treats the subject, Mr. Dill allows his sympathies and sense of justice to give a vigorous and personal colour to his narrative. He discusses a system, but he does not hesitate to blame the landowning class. We may require much more history from this point of view before we are able to find the real causes of decay in systems for which more than one or two

¹ *Decline and Fall*, vol. i. chap. xlv.

² *Roman Society in the Last Century of the Western Empire*, p. 116.

classes are responsible. The following references to history, brief as they are, may appear tedious, because they are necessarily one-sided.

More important than the particular form which the evil assumed in this case is its disastrous effect on the body of producers. Under an extravagant and weak government excessive taxes were always being exacted from the men in comparatively small holdings, who were landowners often only in name. The curiales, a class composed of men owning 16 acres of land and upwards, but inferior to the senatorial order, were made responsible for the assessment and collection of taxes on landed property, having to make good the arrears at their own cost. The large landowners defied the tax-collectors, secured by various means exemption from taxation, and ruled their estates as small but independent and rival kingdoms, in which fugitives from the scourge of imperial taxation took refuge.

"The unscientific and inefficient financial system," says Mr. Dill, "will chiefly attract the notice of the historical inquirer. The collection of imposts in kind opened the door to every species of corruption. Still more fatal to pure administration was the system which left to the municipal class the assessment and collection of revenue in their district. That doomed order is at once branded as the worst oppressors, and invested with the melancholy glory of being the martyrs of a ruinous system of finance. Their lingering fate, recorded in 192 edicts, a tragedy prolonged through more than five generations, is one of the most curious examples of obstinate and purblind

legislation, contending hopelessly with inexorable laws of society and human nature. In that contest the middle or bourgeois class was almost extinguished, Roman financial administration was paralysed, and at its close the real victors were the great landholders, surrounded by their serfs and dependants." ¹

Again he refers to—

"the deep-seated cause which, far more than the violent intrusion of the German invaders, produced the collapse of society which is known as the fall of the Empire of the West. A careful study of the (Theodosian) Code will correct many a popular and antiquated misconception of that great event. It will reveal the fact that, long before the invasions of Honorius, the fabric of Roman society and administration was honeycombed by moral and economic vices." ²

The increasing "flight of the curiales," the creation of brigands and outlaws, are among the results of the process.

"When the curiales were deserting their functions, abandoning their ruined estates, and trying to hide themselves among serfs, they were loftily reminded by the imperial legislator of the stain which they were attaching to their splendid origin." . . . "The curia had in truth become an *ergastulum* (workhouse), and all the ingenuity of lawyers, all the energy of imperial officers, were occupied for generations in trying to prevent the escape of the slaves of the curia. But the cruelty of their position made them reckless. Many fled to the solitude and hard fare of the hermitage." "As the land became less productive, while the burdens of their position became heavier, the weaker curialis must either fly from his

¹ *Roman Society in the Last Century of the Western Empire*, p. 910.

² This quotation and those which follow are from Book III., chap. ii.

municipality, as so many actually did, or else he must obtain the temporary relief, on whatever terms, from the only capitalist to whom he could apply, the neighbouring large proprietor. This absorption of the smaller by the greater landowners, and the growing power of the latter, is by far the most interesting and important feature in the transition of society from the despotism of the Lower Empire to the *régime* of the feudal lords." . . . "Any one who wishes, at first hand, to know the secret of the disease which was undermining the strength of the imperial system in the West, should read the law of Majorian issued in 458. The fortunes of the provincials are still being eaten away by extortionate and repeated exactions. The municipalities are being deserted by the citizens who have to bear their burdens, but who prefer to abandon everything rather than endure the ingenious chicanery or truculent cruelty of the officers of the treasury. While the smaller proprietors are being bled to death, the agents of the great landowner, in the security of remote estates, placidly ignore the demands of the collector."

Thus a century and a half after Constantine had remitted the taxation that was turning the capitalists and labourers of Autun into outlaws, and after the frequent suspension of taxation and rent in different provinces, the process went on unchecked, until, in 476, the society that could only treat its members in this fatal manner ceased to exist. From its ruins, other forms of society sprung.

"A great estate," says Professor Vinogradoff, "in those times comes to form in many respects a principality, a separate district for purposes of taxation, police and even justice. . . . By and by the

seemingly omnipotent government of the emperor is driven by its difficulties to concede a large measure of political influence to the aristocracy of large landowners. . . . The disruptive, or rather the dis-aggregating, forces of local interest and local separatism come thus to assert themselves long before the establishment of feudalism, under the very sway of absolute monarchy and centralized bureaucracy."¹

These descriptions of the wrong working of taxation and rent, written for a different purpose, give a clearer idea of their nature than any abstract discussion of them. There is abundant evidence to show that the Roman legislators, the responsible managers of taxation and rent, recognized the cause of the evil, and endeavoured to control and keep them within proper limits. They did not succeed. Nor have any of those who, in the intervening centuries, held the same position in different countries. How little were the French people—Government, landowners and producers—masters of these economic forces, when they stood facing each other in an inextricable entanglement before the Revolution. The only solution which they found was to kill a sufficient number of themselves. They have not yet by any means so learned to handle taxation and rent that the producers of wealth feel themselves unhampered. There are mortgages on the owners of land, the interest on which is often a deduction from the returns to their own proper capital and labour, and there are local and national

¹ *The Cambridge Medieval History*, p. 562.

taxes which interfere with industry, and bear too heavily on the payers.

Nor has landlordism, in the shape of peasant proprietorship, secured the position of the cultivators. France has made the most thorough experiment with this system. Industry has passed through times of prosperity and depression during the last hundred years, and these have tested the different forms of tenure. After all, it would seem that the British tenant-farmers were carried over the agricultural depression of 1879-1900 with as little loss as the French small owners. In many cases, the latter own land that is mortgaged. They pay rent in the name of interest. Foreclosures and compulsory sales take place at all times, the average number of these being over 6,000 per annum.

In 1878, before the serious fall in prices took place, the number was 6,370. This rose steadily until 1887, when it was 13,320, an increase of 110 per cent. Besides these compulsory sales, there were voluntary sales made in court after foreclosure. Until 1880 the average of these had been 775. In 1889 it rose to 2,778. In addition to these were voluntary sales on the eve of foreclosure, a still larger number. Between 1882 and 1900 the number of proprietors in France was reduced by 410,000, and the number of assessed lots by 717,811.¹

¹ Dr. Jacques Dumas, Procureur de la République à Rethel, gives this information in an admirable article in the *Economic Journal*, March, 1909.

According to these figures, the French people have not escaped from the tyranny and destructive grip of rent, and they fare no better with the taxes.

“The scale,” says Dr. Dumas, “according to which assessments are made has never been accurate, and has got quite out of date. . . . One landowner might pay 35 or 40 per cent of his revenue, and another only 05.0 per cent.”

These are days of discontent and aspiration after better things. The eyes of one nation are on the institutions of its neighbours, searching for something which may be adopted with advantage. Cultivating ownership has found many advocates in Great Britain, and the system has been established in Ireland. Denmark and Germany are cited as countries where it has been attended by success, but indebtedness similar to that prevailing in France lies heavily on the producers of both nations. So long as conditions are favourable, with good seasons and rising prices, they are able to keep themselves comparatively free, but even in the present prosperous times, evictions and forced sales take place to a greater extent than is consistent with sound business.

Mr. Adolf Pohlman of Detmold writes that in Germany, during 1905, “737 forced sales of landed estates of all sizes were recorded, covering an area of 44,802 acres, and these were proved to have been mortgaged to the extent of £1,061,445. I do not contend that the same indebtedness pre-

vails all round, but we are travelling towards it ; for, according to the last figures given in the Official Reichsanzeiger of November 30, 1909, the yearly increase in mortgages in Prussia alone amounts to about £15,300,000." ¹

Regarding the security of the producers against the undue encroachment of rent and taxes as the object to be achieved, no final solution has been reached through the Continental experiments. It is true that by their means a much closer co-ordination of the factors of production has been effected than in this country, and this accounts for the comparative prosperity of the people. But these conditions are not stable. The forces of separation in the form of mortgages and taxes which can be increased without regard to actual values are still at work, and waste similar in kind, if less in amount, occurs as it did under the Roman Empire. The curb of valuation has yet to be fastened on these unmanaged economic forces.

If these slight references to conditions in other countries are sufficient to show that the problem has not been solved by their peoples, there is little danger of illusion with reference to the position in Great Britain. No class is satisfied, and every one is conscious of an impending change. In no country, perhaps, has there been the same frank discussion of the subject. Compared with past times, these are days of business prosperity,

¹ *Single Tax Review*, March, 1912.

but the land question is not forgotten. Not much has been accomplished, although a great deal has been done to locate the evil and to suggest the remedy. It is becoming apparent to a greater number of thinking people that the unwise treatment of capitalists and labourers is becoming intolerable.

This view has been expressed so well and so often recently that it is difficult to choose the best statement of it. One of the most adequate yet least known of these was made by Mr. Arthur O'Connor, K.C., in his report as a member of the Royal Commission on Depression of Trade and Industry, which sat in 1886. Written during the depression, and after he had heard the evidence of a large number of witnesses, it is the result of an intimate knowledge of the problem as well as of the most complete circumspection.

"It appears," he says, "that over the entire country there is a cause at work, general, permanent, and far-reaching, affecting every branch of industry, in mine, and farm and factory, the effects of which are traceable in the languishing condition of the agricultural and the mining and the manufacturing interests. That cause is the fact that under the existing land system the owners of the soil are able to obtain, and do exact, so large a proportion of the proceeds of the industry of the United Kingdom that the remainder is insufficient to secure adequate remuneration to the industrial classes, either in the shape of wages to operatives, or reasonable profit to the organizers of labour, the employers or capitalists."

This statement embraces much more of the

history of Great Britain and Ireland than is generally supposed. There is no period of this history down to the present moment to which it would not apply. Taxation and rent still work against industry as they wrought in Rome. Governments are stronger and less prodigal, but, if the producers save anything from governments, they too often lose it to landowners. Landlordism has had several free runs at something approaching its full power—in Ireland, in the Highlands of Scotland, and on different estates throughout the country. It has opened out pretty fully in pursuit of development everywhere, in railways, mining, manufacturing, agriculture and town expansion. In the first cases, it did its destructive work thoroughly enough to revolt every impartial citizen, and to make members of every class anxious to find a remedy. Something has been done to check this restless and overreaching aggression.

There is no reason why the work should cease until economic elements and forces have been mastered and reduced to order. Taking the interests of the whole body of producers as his charge, the statesman may set himself a task as clear and simple as it is great. In Great Britain and Ireland industrious men are being broken under the weight of rent and taxes. As certainly as ever they were in Rome and France, they are being forced out of active production into the professions of thieves and beggars. This can be stopped. There is land that will absorb

82 TAXATION OF LAND VALUES .

more capital and labour, and, by means of valuation, both can be given a return that will hold them. The co-ordination of the factors of production can be made so close and satisfactory that on this ground no man will have reason to fly off from society, or into any occupation hostile to society.

V

VALUE

THE definition of land value in the last chapter renders necessary, and, at the same time, suggests a new definition of value as a general term. It might be more correct to say that it makes one definition used by several economists applicable to all cases. To account for the existence and nature of land value most writers have felt it necessary to split the basis of political economy into two or more heterogeneous and inconsistent parts. Since the same difficulty extended to the more inclusive conception of value, the same split appeared in its treatment. Ricardo broke up the consistency of the science to provide accommodation for two definitions of rent. Adam Smith had performed the same service at an earlier date on behalf of value. In his discussion of the subject, he unfortunately brought in a consideration from a world outside of economics, and we have never got rid of the confusion arising from this unscientific mixture.

"The word *value*," he says, "has two different meanings, and sometimes expresses the utility of some

84 TAXATION OF LAND VALUES

particular object, and sometimes the power of purchasing other goods which the possession of that object conveys. The one may be called 'value in use'; the other 'value in exchange.'"¹

But "value in use" is a matter with which economists have nothing to do. Theirs is a mental science, which deals only with social laws and is not concerned with the utility of things any more than with their colour. This is a consideration for housekeepers, blacksmiths, farmers, carpenters and other people skilled in the management of tools. Value in the economic sense only arises in the relationships of men with each other, and never in the relationships of men with material objects. The relationships are perfectly distinct in their nature.

Taking what Adam Smith calls "value in exchange" as value in the only relevant sense of the word, a sufficient explanation of economic phenomena is obtained.

"Labour," he says, "is the real measure of the exchangeable value of all commodities. The real price of everything, what everything really costs to the man who wants to acquire it, is the toil and trouble of acquiring it."²

The difficulty of accounting for the wide disparity in the values of water and of diamonds according to this principle seems to be the cause of Smith's suggestion that there are actually two

¹ *Wealth of Nations*, Bk. I, chap. iv.

² *Ibid.*, Bk I. chap. v.

kinds of value in economics. The view that labour is in every possible case the thing which is valued either did not occur to him, or did not satisfy him.

The difficulty was developed more clearly by two later economists. Bastiat defined value in a simple and consistent manner without proving sufficiently that it applied in every case.

"Value," he says, "is the relation of two services exchanged. The idea of value entered the world the first time a man said to his brother: 'Do this for me, I will do that for you.' They agreed, because then, for the first time, they were able to say: 'The two services exchanged are of equal value'"¹

Cairnes advances the obvious objections to this theory. He thought it did not explain certain kinds of value.

"For example," he says, "the value of a pearl picked up accidentally on the seashore; the high remuneration obtained by persons endowed with natural gifts of an exceptional kind—painters, singers and *artistes* generally; above all, the value of land possessing natural fertility or peculiar advantages of situation;—value in these and other similar instances does not seem to lend itself very easily to the doctrine that all value consists in and represents human effort."²

In discussing this subject the most important thing to remember is that value is measured by an operation in the minds of those who wish to

¹ *Harmonies Economiques*, chap. v.

² *Essays in Political Economy*, on Bastiat, p. 332.

possess the thing valued, and who estimate or weigh the amount of labour which it has cost the seller, and will save the purchaser.

The value of pearls, or of diamonds, is not due so much to the labour of the man who finds them, or mines them, as to the labour which has gone to provide the markets for them. Capital cities, and other centres of society in the civilized world, are the markets for diamonds, and they have not been created, nor are they maintained, without labour. This is the reason why, on an average, royalties on precious stones and metals are so high. Governments and landlords have this firm ground on which to bargain with the diamond owner. "We give you a market," they say, "which you would not otherwise have. You might take your diamonds into Central Africa, or you might leave them in the mines, but we know that, so long as you get markets and make money on them in New York, London, Paris and Berlin, you will not be so foolish as to do anything of the kind, and we intend to get as much as we can out of you in respect of the value of these markets to you." But markets for diamonds depend on a highly developed system of common services which make a comfortable and even gay social life possible. If these services were suspended for a month in such cities, society would be disintegrated, and diamonds would have the value which they had for natives of South Africa a century ago.

The same consideration explains the experience of "painters, singers and *artistes* generally," so far as it requires explanation. In view of the risks which they take, it is doubtful if their remuneration is high enough to cause any reasonable surprise. However this may be, labour determines the reward of the artists in every detail. The patrons of their art are able to come together only in towns or cities, and the task of governing and administering their affairs is labour, the patrons' estimate of the value of the art is determined by the wealth in their possession, which is produced by labour, and the art itself is labour. These forms of "human effort" seem to account for everything here.

This view carries us a step beyond the usual analysis of the causes of value, which stops at supply and demand. It introduces a third cause, and assigns them all as effects to one fundamental cause. Labour is the cause of supply, labour is the cause of demand, and labour provides the means by which supply and demand come together. The use of the two different terms "supply" and "demand" conceals the identity of their origin, and the more accurate way of thinking might be to regard demand always as a form of supply, as the term itself does not indicate so clearly that it depends on labour. Taste or choice only gives direction to demand; labour gives it volume or power. Value is therefore really determined by the relation of different forms

of supply to each other. On this principle, it is possible to define the value of anything as (the estimate accepted by those who desire to possess or enjoy that thing of) the amount of labour required for its production.

Strictly speaking, therefore, the valuation of land and of everything else is simply the valuation of labour. This is the most active and universal of all mental processes. It becomes more active and widespread with the growth of societies, and with the more frequent transaction of business between men. In order that they may be efficient producers, this work must be done to their satisfaction. Great Britain and the world were startled recently by the general strike of coal miners, who insisted that this work of valuation, so far as it affected them, should be done more thoroughly than ever it was done in the world's history. Confronted with this problem, which Carlyle would have delighted in describing as the Sphinx riddle, the Government acted promptly and wisely. They established thirty local boards or tribunals to value the labour of the miners, or to give them and the employers an opportunity of valuing it themselves. Nothing promises better for the future, although our prejudice would have preferred this economic activity on the part of the Government to have commenced with the thorough valuation of the other kind of labour with which they are more directly connected—the labour which produces the value of land.

The two activities will complement each other. The intervention of the miners was a contribution to economic science and practice, and the principle they have established in a small way will extend.

It is possible that, if there had been time for theoretical economists to discuss the subject, strong reasons would have been urged against such a departure from what are supposed to be sound economic laws. But, fortunately, the attitude of the miners and of the Government saved the country from this discussion. With the taxation of land values wages are going to rise steadily, and it is essential to have the best machinery for rendering this upward movement as little disturbing to industry as possible.

VI

THE PRINCIPLE OF POLITICAL ECONOMY

So much of what has been treated as the subject-matter of political economy having been discarded, it is necessary to ascertain how much is left, and to see if this remainder is a sufficient basis for the science. In this matter we receive most help from business men, from the miners, from a study of what is described as labour unrest. In past times it was possible to have wars, to have religious or political controversies, which largely absorbed the interest of the nation. Men died for a religious or patriotic idea. The direction of this enthusiasm has changed. The most exciting subjects in recent years have been budgets and strikes, carrying with them the valuation of land and the valuation of labour. A larger number of people now concern themselves with politics to advance their business, to make more money. This interest may wane, but it has already gone far enough to make political economy a more important thing in national life, and to make its meaning clearer.

The movement is spreading rapidly in every

THE PRINCIPLE OF POLITICAL ECONOMY 91

country, but the British people most of all have been made to realize that they are very intimately connected with each other in matters of business. Different classes find that they cannot make money, if other classes refuse to join in the same pursuit for themselves. The men from whom they buy, the men to whom they sell, must be active, if their own business is to prosper. To get coal for our railways, steamships and factories we not only require rich mineral fields and good machinery, we are compelled also to satisfy certain questions in the minds of miners about the value of their labour. This now turns out to be the most important consideration in the whole process of production. So long as the miners are reasonably acquiescent, coal may be obtained, but when they become sufficiently discontented, the supply is stopped. The problem of getting fuel in this case depends entirely on something in the minds of miners. If we add to the members of this class the members of all other classes, who are co-operating with their fellows in the effort to get those kinds of wealth which they esteem so desirable, and if we consider the working of their minds in these relations with each other, we have the subject-matter of political economy.

This may seem a narrow foundation on which to construct a complete science, but it is wide enough to embrace every economic activity of man, and to show how this activity is related to

others in the material and spiritual worlds. The ambition and power to produce wealth form a large part of each man's being. It seems late to suggest that this principle working in the system of the division of labour is capable of serving as the groundwork of a science by itself, yet this appears to be the only available basis for any science of the kind. For the hermit political economy has no existence. It is enough for him, if he is a chemist and engineer in a rude way ; only material obstacles come between him and the fuel, food and clothes which he seeks, since no hitch will arise from objections or scruples in the minds of men through whose labour these things come to members of society. Having perforce committed himself to the division of labour in which different men produce different things and exchange them, each man's financial advantage leads him to take an interest in maintaining and increasing the ambition and power of other men to make money. This explains the attitude of business men towards every measure which affects the producers of wealth.

The controversy, for the most part the result of misunderstanding, between the economists and politicians of the *laissez-faire* school and their opponents, fixes this principle as the basis of political economy, and this principle is mental or psychological. One school is anxious that there should be no waste of initiative through interference with individual liberty, through a

THE PRINCIPLE OF POLITICAL ECONOMY 93

policy of coddling ; the other is equally anxious that the same waste should not take place for lack of encouragement and facilities. One section argues that, if complete economic freedom were secured, men would educate themselves, and keep their producing power at the highest point ; the other argues that, if men were properly educated, they would remove every obstacle to freedom. The common-sense world goes on doing both things simultaneously, enlarging freedom and extending education, and it is justified by results. This policy has done much to lessen the differences between the opponents. To impartial observers, the phenomenon of an ambitious and well-educated man, confronted with opportunities closed by social laws against the application of his labour, and the phenomenon of an unawakened and uninstructed savage with access to a territory full of resources, are both unprofitable incongruities.

We are on safe ground following the direction and aim of the practical politician's appeal ; for these are determined by the experience and criticism of business men. In its ultimate form the question which the latter always ask with reference to legislation is : " What effect will it have upon men as producers ? " And the final aim of this question is to discover the effect of legislation on the minds of men. Will it strengthen and draw out their ambition and power to produce, or will it lead to the stagnation and decay

of these qualities? This is the test applied more or less consciously, more or less intelligently, by all practical men to factory acts, compulsory education, compulsory insurance, old-age pensions, a minimum wage, an eight-hours' day, security of tenure, protective taxes and other schemes. They ask if these measures separately, or if the policy of which they are the constituent parts, are calculated to develop the full powers of men as producers.

Business men, constantly carrying on this process of determining their attitude to laws and customs by referring to their effect on the active principle of the mind, have cleared away superficial coverings, and have got down to a firm foundation for a science. Economists have been reluctant to follow them, and to place their science on this single basis. Most of them have retained land in its physical or chemical form to explain some problems. Dr. J. N. Keynes, however, has abandoned this position. In a clear and suggestive analysis, he eliminates the physical element, and he does the same with the psychological element, although he admits that economic laws "rest ultimately upon a psychological basis." Apparently he would prefer to regard the social relations of men as the basis of the science, but his definition, as is necessary, gives more than these. He defines political economy "as the science which treats of the phenomena arising out of the economic activities of mankind in

THE PRINCIPLE OF POLITICAL ECONOMY 95

society."¹ But while the phenomena which form the subject-matter of this science spring from "the economic activities of mankind," from labour, these activities, it would be generally admitted, have their origin in the mind, in the desire to obtain wealth.

This principle, active in itself, and susceptible to influences from outside, determines everything in political economy. It is found in each member of society as it is found in every hermit, but in society it has to make its way to its object through a vast number of relationships, and its effectiveness depends on the proper adjustment of these. Inherent in men everywhere, this principle is the ground or substance in which all economic relations terminate. It is directly affected by them for good or evil, according as they are in harmony, or at variance, with what it requires for its development. While this theory recognizes the aim and significance of the habitual criticism of legislation by business men, it is consistent with Mill's and Keynes' definitions of political economy. It also makes a more explicit definition possible to meet the latter's necessary plea for regarding it as being essentially, if not exclusively, concerned with social relations. From this point of view we might define political economy as the science of social laws with reference to their influence on man's ambition and power to produce wealth.

¹ *Scope and Method of Political Economy*, p. 97.

The ambition to obtain wealth varies with different classes, and almost with every individual. It leads men to embark on enterprises of varying risks, which demand different acquirements of knowledge and experience; it is subject in different men to influences under which it is strengthened or weakened, and thus, by what it does as well as by what and how it suffers, it determines their earnings. Under sound economic conditions it grows strong, under other conditions it decays even so far as to die; for it is always open to over-rented and over-taxed producers to suffer and inflict injury in this way. The majority of men turn readily to manual work which can be performed with easily acquired skill, and the majority are apt to be discouraged by adverse circumstances. Every man has an ambition which makes him set a standard for his attainment in the matter of enriching himself. If he is prevented by social laws from advancing towards this standard, if he is thrust away from the approach to it time and again, his ambitious spirit will be broken. This is a violation of the principle of political economy, a cause of economic or financial loss to every one.

Thirty years ago it was a standing charge against the Irish farmers, and the crofters of the Scottish Highlands, that they were lazy, that they did not farm their land well. There was an economic reason for this. Some philosopher has said that "blows suspended over the head fall

THE PRINCIPLE OF POLITICAL ECONOMY 97

upon the soul," and blows falling upon the soul paralyse the brain and hands. As often as the economic principle endeavoured to assert itself in these cases, it was attacked by an increase of rent; it was repressed or distorted by the land system. These farmers acted as men will always act. They would not work hard, if they were deprived of the full fruit of their additional labour. Why should they farm themselves into rents which left them poorer than before? As soon as the menace which hung over them was removed, their ambition and energies revived, and as capitalists and labourers they now play a part much more satisfactory from the economic point of view and from all others. These two policies had different effects on the minds of the farmers with respect to their efficiency as producers, and it is only by these effects that their economic soundness can be tested. If one more reference to ancient history is pardonable, we may illustrate our meaning by a sentence from Finlay. "The institutions of Imperial Rome," he says, "long thwarted the great law of man's existence which impels him to better his condition."¹

With this single and consistent basis the scope of the economist's study, and of a large part of the politician's task, becomes clearer. By referring economic phenomena to this principle we can tell with scientific accuracy what will happen

¹ *History of the Byzantine Empire*, ch. I.

in given circumstances. According to it the definition of site value includes all rates and taxes. Whatever sets free the ambition and power to produce, whatever makes their expansion possible, increases wealth to the advantage of every one, and sends up the value of land in exact proportion to the measure of freedom conferred.

This principle of political economy is subject to two methods of treatment, which have emerged in forms clear and distinct enough to be regarded as antagonistic, but which are really complementary. We can keep the ambition and power of men to produce at the highest point, (1) by education of every kind, by insurance against the casual attack of poverty, by a valuation of what they produce which satisfies their reason and by similar means, (2) by giving this ambition and power full and unlimited scope for their exercise. These two methods are one in their effect on the mind.

Such a basis seems too narrow for most writers, and the temptation to step from the economic to the chemical or physical world is not the only one with which economists and politicians are beset. In matters of taxation the latter frequently pass to the moral world for a principle on which to levy taxes. They introduce the test of fairness, and this misapplication of a moral standard to an economic subject leads to arbitrary impositions which conform with no principle. They make

THE PRINCIPLE OF POLITICAL ECONOMY 99

taxation an instrument to discourage certain indulgences. It is true that the moral world is related to the economic world, that moral evils retard economic progress ; it is also true that economic evils affect moral progress, that, when a man is thrown out of work, a heavy and injurious strain is placed on the relations existing between him and his wife and children. But this is no reason why the practice of political economy and of morals should be confused, or an economic solution applied to a moral problem, or a moral solution to an economic problem. Taxation according to moral laws is like chemical experiments according to moral laws, and the justification of science is that it makes such confusion impossible.

This desire to obtain wealth is worthy of separate and full recognition. We are in its power. If we treat it according to the demands of its nature, it will serve us well ; if we thwart it, we shall lose. It will respond generously to the removal of disabilities which affect it. The fears entertained with reference to the fuller powers and higher rewards now demanded by labour are groundless. During recent years there have been active and sustained efforts to increase both, and these efforts should be redoubled ; for the more widespread, constant and successful they are, the more reasonable they become, and the more secure basis they provide for prosperous industry.

VII

A PRACTICAL POLICY

As generally presented, the taxation of land values wears the unworkable form described by Lord Robson. By urging the Government to adopt the value of land as the basis of local and imperial taxation, and by excluding from the definition of land value the amount now raised by rates and taxes, we invite them to undertake what seems to be an impossible task. But economic facts and laws do not prescribe, nor will they permit, such a policy. In effect, the occupiers of land regard the sums which they pay in rent to the landowners, and in rates and taxes to the local and national governments, as one payment for the services rendered to them by the community. This is their definition of site value. They will act on this view. What they are willing to give in one form to-day, they will give in another form to-morrow. They will give more, if those of them who are deprived of the use of land get it, and through it the advantage of common services which they are capable of using. It is according to this principle that the value

of land has increased in Australia and Canada under the land tax.

With the repeal of all existing rates and taxes, and with the substitution of one rate and one tax directly on land values, economic rent will rise sufficiently to provide an ample surplus. It will not be difficult to avoid causing hardship by taxation; it will be difficult to prevent new and improper interests in the surplus from arising. Abundant fruitfulness will be the chief feature of the policy which brings capital and labour into active and steady co-operation with land, which frees them from any charge in the form of rent or taxation calculated to stop their entrance on an enterprise, or to check and diminish the energy with which they pursue it.

This step having been taken, and the position to which it has carried us having been occupied for a little, the point of view of every class will be changed. When we cease to incapacitate the producing machine, and allow it to run full, poverty and the fear which springs from it will disappear. Industry will become a desirable and safe pursuit, equalling or perhaps surpassing in the character of its returns those investments now known as "gilt-edged securities." In any event, the results of this first step will be the most effective argument for taking the second, and the fruits of the second the most convincing argument in favour of the third. The point of view will change each time. Just now there are overwhelming and unqualified

reasons why every one should assist in putting an end to the unemployment and business depression due to the land system and taxation. When that is done, there will be as urgent reasons for going one step further in altering the distribution of wealth by transferring more of the land value to the public treasury. Meantime, little seems to be gained by indulgence in threats, or in professions of fear, about far-off events.

With reference to the means of preventing as far as possible the large increment in land values from going to private individuals and being treated by them as the subject of sale and purchase, it has been suggested that the Government should appropriate this increment according to the method advocated by J. S. Mill. This is necessary, if evils and difficulties in which we are now involved are to be avoided in future. Mill's proposal to intercept the future increment would secure to the community more of the land value than Henry George's proposal to begin by the gradual appropriation of the values now received by landowners. The fructifying influence of this and other reforms will lead to an enormous increase in land values. In whatever manner the problem of existing interests is solved, moral, economic and psychological or political considerations render it imperative as a first step to stop the growth of evils. But for this purpose, the valuation should be of the annual value and carried out every year.

For the rest, there is a growing desire for an explanation of how the single tax on land values could be applied. It is regrettable that Sir William Wyndham did not have the opportunity of putting his very definite statement to the test, and of showing how a tax on land values of 10s. in the pound would benefit the industry and trade of the country, and leave the landowners better off. A Chancellor of the Exchequer, seeing the principle as he saw it, and in a position to obtain the fullest information about existing taxes, is the person most fitted to work out such a scheme.

But, even with the material of the problem which is available to the public, it is possible to suggest how this principle may be adopted for raising all imperial, as well as all local, revenue. In the case of rates, the amount which is paid in respect of any property—any house, office, factory or farm—is known. This is part of the site value of that property. To prepare the assessment for rates, it would be necessary to ascertain the amount of the other part of the site value which goes to the landowner, and add the two. In addition to this, there would be a sum representing the value of undeveloped and underdeveloped land within the rating area. With these three amounts added together, there could be no question as to whether their sum would be equal to one of them. Such a valuation has been carried out for a rural parish in England, and it shows that under the taxation of land values

104 TAXATION OF LAND VALUES

most of the ratepayers would receive a slight reduction on their present payments, that their improvements would be free from rates, and that the landowner would contribute more on undeveloped land for which there is a building demand.

The problem of imperial taxation seems to be more difficult. There is still a widespread distrust of taxation according to economic laws, and a very firm belief in taxation according to changing, political devices. Many people think they can get at every citizen most inevitably and certainly by taxing importers of tea, tobacco and sugar, distillers and brewers, and persons with high incomes. They are extremely sceptical about taxing landowners and trusting to them with land as an instrument to draw out adequate contributions from every person. They seem to have an imperfect appreciation of the power of land. Some citizens do not use tea or tobacco, some do not use spirits or beer, and unfortunately some do not enjoy incomes which reach the taxable limit. We have never met any one who does not use land.

Although the producing machine would work most efficiently with all taxes levied directly on land values, and although moral development would be most perfect under such a system, men are not yet prepared to use taxation only for the purpose of securing to the State the exact share of wealth which it produces. They levy taxes in respect of alcoholic liquor and of tobacco, in order to increase their price, and to discourage or

prevent their consumption. In time they will be able so to educate themselves, and to provide such reasonable access to other pleasures, that these things will serve rather than master them. But, recognizing that "we must do as things will do with us," and going as far as public opinion will carry us, it is possible to show how the greater part of the existing taxes may be transferred to a land value basis without any shock to existing arrangements.

British Governments are said to have a habit of "muddling through" difficult enterprises. There is much to be said for this policy. In this case they might proceed gradually, imposing a tax on land values and repealing existing taxes simultaneously, allowing the new values to express themselves in the land. But there are those who like to see the road over which they are invited to travel. The question which these practical people ask is: Are the land values of the country sufficient to meet the full demands of taxation? It is easily answered. The land values of the United Kingdom equal the rent received by landowners, plus the revenue of the Imperial Government, plus the revenue of local authorities, plus the unrealized value of undeveloped land for which there is a demand.

Regarding taxes as part of land value, it would be necessary to ascertain to what land and in what amounts they would attach themselves in the event of their repeal. The exact incidence of such

floating charges as customs, excise and stamp duties cannot be traced in every case, but their repeal would find expression in an increased value of land generally. A similar increase would take place with the repeal of the income tax under Schedules D and E, on incomes from trades and professions.

Of the fixed charges, including the property and income tax, the estate duty, land and house taxes, records are kept, both of the persons paying, and, in many cases, of the property in respect of which payment is made. In the last class are the estate and inhabited house duties, the land tax, and the tax on incomes derived from land and houses. These could be treated exactly like the rates, and entered as part of the site value assessment of the properties on which they are paid. The estate duty, so inequitable in its incidence, depending, as it does, on the accidents of death, should be commuted into an annual charge on the value of land.

The scheme involves much work in the way of valuation, and this is regarded as a serious objection. Nothing seems to be grudged so much as the expense of valuation. Food and clothes both cost a great deal, but not many politicians argue directly that we should do without them because of their cost. Valuation is as indispensable for the existence of society as food is for the existence of the individual. Valuation has never been adequately performed, otherwise we should

have had a much more vigorous community. For example, the cost of maintaining the poor in the United Kingdom during the year 1909-10 was £17,731,851. A valuation of land which would prevent even one-fourth of these poor people from being pressed out of their occupations, and from being deteriorated into paupers, would save enough from this item to pay its cost many times. It would add millions to the wealth of the country by keeping people in active production.

The whole land of every country is already valued in the minds of the most capable and reliable men in the countries. In the neighbourhood of every farm, of every building site and of every mine, there are men who have an accurate knowledge of their economic value. But this knowledge has never been gathered up and utilized. This could be done by official valuers, if they were to call these intelligent men together and elicit their knowledge about each holding. It is a task which requires care and the expenditure of money, but no money could be more profitably spent. The voluntary services of tenants and landowners at such meetings would speedily provide a complete and scientific valuation. With security of tenure for tenants, there would be a frank and independent, yet dignified and courteous, exchange of opinion among different classes which in itself would bring a new spirit into business.

APPENDIX

TURGOT'S PRINCIPLE

THE principle on which the argument of this book rests has perhaps only been adopted by Adam Smith and by the economists who preceded him. Turgot stated it clearly and completely in reply to a critical examination by Hume. On two occasions he set himself to prove that all taxes, no matter how they are levied, fall on rent. In one essay he discusses taxes in general, the land tax, and the scheme of valuation in connexion with it; in another he compares the tax on landowners' income with the tax on consumption. Both essays are unfinished! ¹

Daire has some appropriate words on this. Writing in 1844 he says: "There is then even to-day, for honest hearts and serious spirits, a subject well worthy of study in all that Turgot wrote on the most advantageous method of securing the revenues of the State, and of apportioning over the entire community the tribute which it owes to itself to provide for public expenses. Unfortunately, as we shall see, circumstances did not permit the illustrious philosopher to develop completely his ideas on the subject, or we have to regret the loss of part of his learned meditations. These circumstances are a genuine misfortune; for what man was ever more worthy, by his ability and by his character, to speak on taxation

¹ *Œuvres de Turgot*, edited by Eugene Daire, vol. i., pp. 392 and following.

110 APPENDIX : TURGOT'S PRINCIPLE

than the virtuous Minister of whom the unfortunate Louis XVI used to say : ' There is no one except him and me who loves the people.' "

In 1767, however, Turgot, as Intendant of the Province of Limoges, offered a prize for the essay which would show most clearly the effect of indirect taxation on the income of landowners. He sent the subject of the essay to Hume with an outline of his own views, and invited Hume's criticism. This was frankly given in a letter. Turgot replied at some length, and by using very happily the figure of an equilibrium in physics he exhibits the principle perhaps in the clearest possible form. The following is from his letter dated March 25, 1767 :—

" I should have liked very much to enter into some detail on the subject of taxation, but to reply to your objections it would be necessary, so to speak, to write a book and earn my own prize. I wish only to indicate to you the principle from which I set out, and which I believe to be incontestable. It is that there is no other revenue possible in a State than the sum of the annual productions of the land, that the total amount of the productions is divided into two parts, the one set aside for the production of the following year, which comprises not only the portion of the crops consumed by the agriculturists in kind but in addition all that they use to pay the workmen of every class who labour for them—blacksmiths, wheelwrights, saddlers, weavers, tailors, etc. It includes also their profits and the interest on their advances. The other part is the net produce which the farmer pays to the proprietor, when the person of the latter is distinguished from that of the cultivator, which does not always happen. The proprietor uses it to pay everything in the way of labour.¹ This being granted, the tax which does not bear directly on the proprietor must fall either upon the wage-earners who

¹ *tout ce qui travaille pour lui.*

APPENDIX : TURGOT'S PRINCIPLE III

live upon the net produce, or upon those whose labour is paid on the part of the cultivator. If wages have been reduced by competition to their proper rate, they must increase, and as they cannot increase except at the expense of those who pay, one part falls back on the proprietor for the expenditure in which he engages with his net produce, the other part increases the expenditure of the cultivators, who are therefore obliged to give less to the proprietor. It is then in every case the proprietor who pays.

“ You say I assume that wages increase in proportion to taxes, and that experience proves the falsity of this principle, and you remark with reason that it is not taxes, heavy or light, which determine the amount of wages, but simply the relation of supply to demand. This principle has certainly never been disputed ; it is the only principle which fixes at the moment the price of all the things which have a value in commerce. But we must distinguish two prices, the current price which is settled by the relation of supply to demand, and the fundamental price which in the case of a commodity is what the thing costs to the workman. In the case of the workman's wages the fundamental price is that which the workman's subsistence costs. We cannot tax the man who receives wages without increasing the cost of his subsistence, since he must add to his former expenditure that of the tax. We thus increase the fundamental price of labour. Therefore, although the fundamental price is not the immediate principle of the current value, it is nevertheless a minimum below which it cannot fall. For if a merchant loses on his goods, he ceases to sell or manufacture ; if a workman cannot live by his labour, he becomes a beggar, or he emigrates.

“ That is not all. The workman must secure a certain profit, to provide for accidents, to bring up his family. In a country where trade and industry are free and vigorous, competition fixes this profit at the lowest possible rate. A kind of equilibrium is

112 APPENDIX : TURGOT'S PRINCIPLE

established between the value of all the productions of the land, the consumption of the different kinds of commodities, the different kinds of works, the number of men engaged in them, and the amount of their wages.

“Wages can be fixed and remain constantly at a given point only in virtue of this equilibrium, and of the influence which all parts of the society, all the branches of production and commerce have upon one another. This being granted, if we add to one of the weights a movement must be set up throughout the whole machine which tends to restore the old equilibrium. The proportion of the current value of wages to their fundamental value was established by the laws of this equilibrium, and by the combination of all the circumstances in which all the parts of the society are placed. You augment the fundamental value, the circumstances which have previously fixed the proportion which the current value bears to the fundamental value must cause the current value to rise until the proportion is re-established.

“I know that this result will not be sudden, and that there are in every complicated machine frictions which delay the results most infallibly proved by theory. Even with a fluid perfectly homogeneous it takes time for the level to be restored, but it is always restored with time. It is the same with the equilibrium of the values which we are examining. The workman, as you say, exercises his ingenuity to work more or consume less, but all this is temporary. Doubtless there is no man who works as hard as he could. But it is no more natural for men to work as hard as they can than for a cord to be stretched as much as it can be. There is a measure of relaxation necessary in every machine, without which it would run the risk of breaking at any moment. This measure of relaxation in the case of work is fixed by a thousand causes which continue to operate after the tax is imposed, and consequently if by a first effort

APPENDIX : TURGOT'S PRINCIPLE 113

the tension had increased, things would not be slow in resuming their natural position.

"What I have said about increasing labour I say also about reducing consumption. Wants are always the same. That kind of superfluity out of which a saving can be made in an extreme case is yet a necessary element in the usual subsistence of the workmen and their families. Molière's miser says that when dinner is laid for five, a sixth can find a meal, but by pushing this reasoning a little further we should quickly fall into absurdity. I add that the diminution of consumption has another very serious effect on the income of the proprietor, by the reduction of the value of commodities and of the products of his land.

"I do not enter into the detail of the objection about foreign trade, which I cannot regard as a very important matter in any country, except in so far as it contributes to increase the revenue from lands, and which, moreover, we cannot tax without causing it to diminish. But time fails me, and I am compelled to finish, although I had many things to say about the inconvenience caused to the consumers by a tax the collection of which is a perpetual interference with the liberty of the citizens. They must be searched in custom-houses, their homes must be entered for levies and excises, not to speak of the horrors of smuggling, and of the sacrifice of human life to the pecuniary interest of the treasury. A fine sermon legislation preaches to highwaymen!"

Apparently Hume did not reply to this argument. Turgot refers to it in two subsequent letters. On March 8, 1768, he wrote: "You have not replied to the long letter which M. Frances conveyed to you last year, and which turned in great part on this subject. In fact, you had something better to do. If people leave you any leisure, I shall be quite ready some day to renew the discussion; for it is a matter which I have at heart, and which I believe admits of proof."

114 APPENDIX: TURGOT'S PRINCIPLE

There has been in recent years some discussion of the question how far Adam Smith was influenced by Turgot and by the Physiocrats generally. Only readers of both can appreciate the extent to which the principle clearly and briefly explained by the French statesman pervades the elaborate work of the Scottish philosopher. "The Physiocrats," says Hasbach, "have played a far more important *rôle* in the development of Adam Smith than we have hitherto dared to assume. Not only did they for the first time put him in a position to develop a system of theoretical economics that was complete in matter, even if perhaps not in form, but they induced him to apply 'natural law' to economic conditions, and to give to the 'natural order' a far wider extension than had before been attributed to it. And these, indeed, are the very elements which give to Smith's system its sharply defined character."¹

¹ *Political Science Quarterly*, January, 1898.

INDEX

- Ability to Pay, 66
Alberta, The Single Tax in, 23
Australia, Land Tax in, 3
Bastiat's Theory of Value, 85
Bathurst, Lord, on Salt Duty, 6
Cairnes on Bastiat's Theory of Value, 85
Canada, Western, Land Tax in, 23
Chalmers, Dr., on Incidence of Taxation, 6
Chamberlain, Austen, on Valuation, 38
Commonwealth Land Tax, 21
Cox, Harold, on Incidence of Rates, 13
Crofters Act, Reduction of Rent under, 48
Daire on Turgot, 109
Dill on Taxation in Roman Empire, 72-75
Dumas, Jacques, on Mortgages in France, 78
Edmonton, Single Tax in, 23
Ely, R. T., on Nature of Taxation, 57
Eve, H. Trustram, on Incidence of Rates, 12
Finlay on Law of Political Economy, 97
George, Henry, on Speculative Rent and Business Depression, 32
on Machinery of Taxation, 37
George, Lloyd, on Valuation, 38
Gibbon, Effect of Taxation in Causing Rebellion, 56
effect of Taxation in Depopulating Autun, 72
Goschen, Lord, on Cost of Sites, 29
Grey, Sir George, in New Zealand, 18
Griffith's, Sir Samuel, Valuation and Rating Act, 19
Hasbach on Adam Smith, 114
Houghton, John, on Agricultural Rents, 43
Hume on Taxation, 110
Keynes, J. N., on Basis of Economic Laws, 94
definition of Political Economy, 94
Locke on Incidence of Taxation, 15
Londonderry, Lord, on High Rents, 45
Loreburn, Lord, on Leasehold System, 50

- Marks, John, on Leasehold System, 50
- Marshall, Definition of Political Economy, 52 *n.*
- Mill, J. S., Definition of Political Economy, 52 *n.*
tax on Future Increment, 102
- Mortgages in France, 77
in Germany, 78
- New Zealand, Taxation of Land Values in, 19
- O'Connor, K.C., Arthur, on Trade Depression, 80
- Pohlman, Adolf, on Mortgages in Germany, 78
- Political Economy, Definition of, 95
- Political Science Quarterly*, 114
- Poor Rate and Rent in Sussex, 69
- Punjab, Valuation of Land in, 47
- Quarterly Journal of Economics*, 45 *n.*
- Queensland, Rating on Land Values in, 19
- Quesnay on Indirect Taxation, 6
- Rent, Definition of, 58
- Ricardo's Definition of Rent, 59
explanation of Cause of Rent, 60
- Robson, Lord, on Inadequacy of Land Values as Basis of Rating, 8
- Seligman on Incidence of Taxation, 17
- Shifting of Tax, 16
- Small Landholders (Scotland) Act, 42
- Smith, Adam, Explains Cause of Rent, 58 *n.*
on "Value in Use," 83
definition of Value, 84
and Physiocrats, 114
- Somers System of Valuation, 45
- Times* on Australian Land Tax, 3, 22
- Turgot's Theory of Taxation, 109
- Valuation and Rents, 39
- Value, Definition of, 88
- Vancouver, Rating on Land Values in, 23
- Victoria, Legislature and Land Tax, 18
- Vinogradoff, On Growth of Feudalism, 75
- Walpole, Sir Robert, on the Salt Duty and Land Tax, 4
on the Sinking Fund and Excise Bill, 4
- Wyndham, Sir William, on Land Tax, 1
on Salt Duty and Sinking Fund, 5
on Excise Bill, 5