

LAND & LIBERTY

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REVIEW OF SEVEN SEPTEMBER CONFERENCES

The growing demand for the repeal of the derating privileges enjoyed by sectional interests at the expense of the general body of ratepayers and the independence of local government gained further impetus during September.

Local Government and Privileged Ratepayers

The British Section of the International Union of Local Authorities, meeting at Southport, heard and discussed a paper presented by Mr. C. H. Pollard, the city treasurer of Kingston-upon-Hull, entitled "Local government finance and its importance for local autonomy." During the course of his paper, Mr. Pollard remarked (*Municipal Journal* report, September 24) that "among local authorities in Great Britain, anything which increases their dependence on the national government is generally regarded with disfavour. . . . For this reason there is a growing call for the reinstatement of their power to levy local taxes on the full values of industrial and freight transport properties or alternatively for the national Government to give direct and specific compensation for the actual local tax (rates) lost to the local authority." In reply to a questioner, Mr. Pollard stressed his personal opinion that Government grants do bring more control. Contributing to the ensuing discussion, Mr. William Hayhurst, Westminster City treasurer, maintained that far too much control was being exercised from the centre. He described as a "fine step in the right direction" the recent County Councils' Association report on the abrogation of the derating system (reviewed in the August issue of *LAND & LIBERTY*). Sir Howard Roberts, clerk of the London County Council, expressing a personal view, said that re-rating was one of the simplest and most straightforward ways of increasing local authority revenues, and he thought that this might well receive greater emphasis.

"A Most Pressing Problem"

In the course of his presidential address at the annual conference in Westminster of the Rating and Valuation Association, Mr. Philip R. Bean said (*Estates Gazette* report, September 18): "I am merely stressing the obvious when I say that local rates should be permitted to produce as much as possible for the requirements of local government without statutory restrictions of one kind or another. . . . The complete or partial abolition of derating, both of agricultural and industrial properties, is now a

most pressing problem. I know only too well the response in some quarters to the plea to control rate poundages, but the psychological effect is still tremendously important in my view. The effect of the possible increases in rent (so often a combination of rent and rates) as a result of the Housing Repairs and Rents Act, 1954, gives the problem of holding down poundages far greater urgency. I understand that about 6½ million families rent unfurnished accommodation in the country from private landlords, and I anticipate that the repairs increases will focus attention on the rate liability of tenants more than ever. This in turn will embarrass rating authorities and they will reasonably in turn urge that they be allowed to collect the maximum rate without political interference. After all, the sum involved to industry as a whole, through the loss of preferential rating, is at present about £40 million on a turnover of about £5,000 million. Furthermore, this figure would be reduced when corresponding tax relief is secured, because rates are a business expense." Mr. Bean added that in his view the question of the abolition of derating, wholly or partly, was a fundamental one in any search for healthier local government.

At neither meeting, judging from reports in the two journals here quoted and in the national press, was the rating of land values considered.

Pensioners and Taxpayers

At Manchester, September 18, the Government was called upon to increase its expenditure in one regard. Reasons that will command the widest sympathy were advanced. Two days later from a Conference at Harrogate came a reasoned recommendation to the Government that it should reduce its income, at least from one particular source. Thus narrowly and empirically the perennial topic of taxation is discussed by the various warring sections of society, each intent upon its own immediate welfare and, with a few exceptions, each blind to the fund of public revenue lying at their feet, the collection of which would resolve or facilitate the solution of their particular problem.

The plight of the old people is indisputable. The victims of land monopoly, of tariff and other trade restrictions, of inflation, purchase and other indirect taxes, few of them when working were able to make adequate provision for their retirement. But that does not justify their call for additional tax burdens to be inflicted upon the present working generation who would thereby be

prevented from making provision for their old age. Yet such is the effect of the resolution that was adopted at Manchester by eight hundred members of the National Federation of Old Age Pensioners Associations. This called upon the Government to separate the old age pension scheme from National Insurance and to provide it from the same source as family allowances, the National Health Service, National Assistance, non-contributory pensions, war pensions, and many other social services. The president of the federation, Ald. A. T. Neal, of Derby, was reported as remarking that they thought that old age pensions, because they were permanent demands, could be more justly financed from a direct percentage tax on profits and incomes. How can it be just to take from a man a part of his earnings and to hand it to another because the latter happens to be older than a statutorily defined age? Justice demands the taxation of land values, complete free trade and a sound currency, and the Government remission of taxes on the products of labour. Such a policy would be of outstanding service to all who live on fixed incomes.

Industrialist Pleads for Tax Concessions

At the fourth annual Taxation Conference in Harrogate, September 20, Mr. John H. Lord, executive director of the Dunlop Rubber Company, read a paper in which he urged that Britain should be put on a level with other exporting nations in the taxation of plant and expenditure on research. From the examples given by Mr. Lord as reported, it appears that in other countries the governments are more generous (or, to be accurate, less predatory) in the matter of depreciation allowances for plant and machinery. This represented a considerable handicap to British exporting industry. Agreed; but why urge merely a reduction of such taxation to the level suffered by the foreign manufacturers? Never mind what the Germans or the Americans may or may not do; such taxation is harmful—it inhibits design, reduces production, increases costs. Let it be repealed forthwith and with it the taxes levied on the walls and roof of the building that houses the plant, and those levied on the materials processed therein, on the finished product, and on the earnings of the labour and capital that together daily increase the stock of useful and desirable things in the world.

Ruefully those who have been labelled the "last ditch" defenders of the capitalist wonder how much longer they must await some sign from the industrialists in this country that they understand and favour the incentive policy of land-value taxation.

T.U.C. President and the "Facts of Life"

During the course of his presidential address delivered to the eighty-sixth annual Trades Union Congress at Brighton, September 6, Mr. Jack Tanner remarked that it was "one of the facts of life" needing constant repetition that within a full employment economy higher living standards could be achieved *only* through greater individual output. By that remark Mr. Tanner showed himself to be as unaware of the economic factors that govern

wages as are the majority of his colleagues—leaders, officials and ordinary members alike. Individual output has increased phenomenally during the lifetime of the Trade Union movement: who would contend that there has been any comparable increase in wages? What grounds are there for optimism that future increases in production, unlike those of the past, will significantly increase "real wages," except, of course, for those who raise their output above that of their fellows? Wages are determined at the margin of production and that margin is unnaturally depressed by the speculative withholding of valuable land from use. The only known way of removing this obstacle and of thus allowing the margin of production to rise, and labour to reap the benefits of increased output, is by means of the taxation of land values and the remission of taxation on the work of man's hands. That really is one of the facts of life and we make no apology for constantly repeating it. In our view it is a most cruel irony and a matter for profound regret that trade unionists of all people, concerned as they are with the question of wages, should remain in such apparent ignorance of the one sure device that would enable them to achieve what Mr. Tanner called their principal function—to secure higher "real wages."

Town Planners Asked for Advice

Addressing the Congress of the International Federation for Housing and Town Planning at Edinburgh, September 20, Lord Home, Minister of State for Scotland said:

"We shall welcome any advice you may give us on how to find industries appropriate to these uplands areas." The Government had been trying to inject very considerable sums in capital, but it was beyond their financial resources to spend anything like enough to solve their problems quickly. At the same time the burden of housing subsidies on the national and local taxpayer was almost beyond endurance, and they would be immensely interested "in anything you can say that would help us to reduce it." Lord Home also asked for help and advice on the saving of space, on the replanning and rebuilding of the centres of our cities, on the possibilities and practical limitations of building high, and on how to reduce the time spent in travelling to and from work. "By all means think ahead to the age of the helicopter and atomic power," he concluded, "but you will do us a greater service if you apply your minds at this conference to the very pressing problems we are going to have to tackle in the next ten years."

These problems, like so many others, are inter-related; arising from a common cause they are susceptible to a common solution. Each is due in the first instance to Man's maladjustment to his environment, itself the consequence of the private appropriation of the economic rent of land. Until that is righted, no solution is feasible, any piecemeal approach to the problem being destined to result in other, equally grave, problems.

The Counsel They Withheld

The taxation of land values, sufficiently applied, would break the stranglehold grip of land monopoly that has depopulated the Highlands. Land held idle for sporting and other purposes, or inadequately used, would become available for economic development. Sheep and deer, grouse and bracken would make way for men whose presence would bring into being numerous small, rural industries and services just as has happened wherever

The value of this paper does not end with YOUR reading it. Your business associate, your neighbour or your fellow worker may not have seen it . . .

pioneer settlements have been established in other times and places. Government planning and taxpayers' money would not be needed. Effective demand coupled with cheap or free land and the assurance that their buildings, improvements and earnings would not be subject to the exactions of the tax-gatherer would afford ample incentive to investors and industrialists.

Similarly the land value policy points the way out of the housing subsidy dilemma. Millions of people could afford to buy their own homes if sites were substantially cheapened and rates and taxes were taken off buildings. Free imports of building materials and the repeal of rent restrictions would provide an additional fillip. Men would no longer have to travel to work long distances past idle sites where houses could and would stand if taxes and rates were levied on all land, whether used or not. Poor development of valuable sites in city areas would no longer be profitable; the exemption of buildings and improvements would stimulate redevelopment in the towns and cities of Scotland as it has in Brisbane, Sydney, and elsewhere. (See LAND & LIBERTY for August, 1954.)

A decade or more must pass before atomic power and the helicopter are available for commercial use, but given the will the taxation of land values may be speedily inaugurated. It offers greater promise of better living for every section of the community than do either of these inventions and, moreover, ensures that when they are commercially exploited their benefits will not be misappropriated by those who dabble in land values, but will be widely diffused throughout society in richer, more gracious living standards for all.

Nationalization and the "Loss Motive"

Under nationalization many pits are producing small tonnages of coal at enormous loss; their outlook is hopeless and eventually they will have to be closed. This was revealed by Mr. E. H. Browne, the Director-General of Production, at the Oxford summer school of the National Coal Board, September 13.

Mr. Browne said: "We ought to try, as far as possible, and with proper timing, to draw off the men from the collieries for which there is little future. If a substantial number of men transfer to the expanding coalfields there would be a net gain in output and some of our most serious losses would be avoided." High cost "marginal tonnage" and the enormous losses on a very small part of output were a serious problem. "In 1953, out of the 210 million tons produced from the Board's mines, the most costly 30 million tons were got at losses from 10s. a ton upwards with a total loss of £25.5 million." Direct compulsion neither could nor should be used to move any man from one coalfield to another. To improve efficiency and reduce costs, strengthened planning was needed, he claimed.

Twenty-five and a half million pounds' worth of wealth has been lost.

State monopoly is directly and solely responsible for this criminal waste of labour and capital. It is maintained by the system of averaging coal prices whereby relatively cheaply mined coal is sold at above its true price so that the coal produced uneconomically can be sold at less than its cost of production. Within a free society the problem would not and could not arise, for who would waste either his labour or his capital producing that for which no market could be found? Uneconomic mines would be closed and men either would move freely to other coalfields or would need to seek different employment in their

home districts. No question of compulsion would arise; despite Mr. Browne's remarks it may yet do so in the case of the nationalized coal industry. Those who look to "strengthened planning" for salvation are grasping a nettle; only genuine free competition based on equal rights will produce abundant supplies at economic prices to the benefit of all.

Doctors and Hoteliers as Monopolists

How "planning" may be invoked by sectional interests to prevent or restrict competition and thus to secure quasi-monopoly privileges was incidentally illustrated in two leading articles in the *Municipal Journal*, September 17.

Commenting on the report of the Medical Practices Committee which drew attention to the difficulties arising in some new housing estates due to alleged refusals by local authorities either to build houses for doctors or to let or sell land to doctors wishing to build their own, the *Municipal Journal* remarked: "Authorities are often perfectly willing to let or sell land for doctors wanting to build. In most instances, however, this would mean admission of new doctors into the area and doctors already living there, fearful of any reduction in their lists, put up strenuous—and usually successful—opposition." Other doctors apparently are equally allergic to competition. "Naturally, the doctor already established in a comfortable home with a prosperous practice does not want to uproot himself and go to live on a new housing estate. But he does not welcome either the new doctor who is prepared to live on the estate . . ."

Competition sounds no sweeter to the ears of some Devonshire boarding house proprietors. Alarmed at the loss of business, they wish to see planning legislation so used as to restrict caravanning. Yet to some extent they have themselves to blame for, to quote Mr. Geoffrey Clark, Devon Director of Planning, it is their attitude of "bed and breakfast and out you go" that has helped to make caravan holidays so popular.

AN INFANTILE INFANT INDUSTRY

The manufacture of cuirass respirator shells for the treatment of infantile paralysis is Britain's latest "infant industry."

MR. IAIN MACLEOD, the Minister of Health, answering DR. B. STROSS (Cons., Stoke on Trent), said that following officially sponsored research a new type has been developed and that twelve shells being assembled under contract would be delivered shortly for clinical trials. Each would cost £120 as against the £853 paid for the Monaghan type respirators recently imported from the U.S.A. *That delivered price included Customs duty.*

MR. EDWARD EVANS (Lab., Lowestoft) pertinently and properly enquired whether the import duty could be waived in order to bring down the price of this valuable aid. The Minister refused to be drawn. His reply, he thought, indicated that that problem was being overcome by manufacturing respirators in this country.—July 15.

A most unsatisfactory answer. If respirators can be made so cheaply in this country, British manufacturers will have no cause to fear foreign competition when their appliances come on to the market. But, meanwhile, why tax American respirators? Is the answer that since most hospitals are nationalized the problem is purely a book-keeping one—the revenue from duties on these appliances being handed by the Inland Revenue via the Treasury to the Minister of Health so that he can buy more respirators? Such reasoning would not surprise us. It is, however, a little surprising to see in the Tube stations posters appealing for funds to aid research into the cause and cure of poliomyelitis.

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A SCOTTISH COMMITTEE'S STERILE PROPOSALS

The system by which local authorities in Great Britain obtain their revenues, apart from the large subventions and grants in aid they receive out of the National Exchequer, is to levy local taxation on the use to which land is put. The basis of this taxation or of the "local rates" as they are called is the annual rental value that any property (land and buildings taken together) has or is estimated to have if at the date of assessment it were let in its actual state on a yearly tenure. The application of that formula to vacant land is that no rateable value can be attributed to it, whatever may be its actual value if it were sold or leased on long term in the open market. Vacant land however valuable is rate-exempt land. In England and Wales it is "nil" so far as assessment rolls are concerned; in Scotland it is entered at a purely nominal figure. Consider further what this formula "in its actual state" or in some statutes "in its existing condition" involves. Where land carries a good building or is otherwise well improved, it will command *in that state* a higher rent than if the building is obsolete or unsuited, or is derelict; and accordingly it will have a higher assessment. Thirdly, when any structural improvement is made or the "amenities" of the property are increased so as to yield a greater rent, or a building is erected where none was before, the assessor sees to it and at once up goes the assessment.

The matter can be illustrated by taking three sites, each of the same value as sites. One is well improved, the assessment is high; the second has an out-of-date or tumbledown structure on it, the assessment is low; the third is vacant, the assessment is nothing or nominal. It is only when and as improvement is made that the tax falls, and it falls quite clearly like a penalty for having made the improvement. Housing, industry, enterprise and employment are everywhere at its mercy; its results are written large over our cities and towns, and in rural districts as well, in slums, high rents, unequal development, land unused or badly used, and high prices for land. The question of who actually pays the assessed tax is not material. Its economic effects as a tax on the work of man's hands would be precisely the same whoever paid in the first instance, and its final incidence is inevitably upon the consumer of the articles taxed; in this case on the user, that is the occupier, of the bricks and mortar, and timber and all else, which, put together form the habitations of man. It is a "hostile tariff" on structures of every kind.

This brief description of the present rating system and how it operates is by way of offering a preface to the latest official essay on the subject. It is the Report (Cmd. 9244, Price 3s. 6d.) of the Sorn Committee* appointed in May, 1953, by the Secretary of State to review the system in Scotland and make recommendation as to any changes they found to be necessary. Incidentally, they were debarred from considering the derating policy by which agricultural land is exempted from rate-charge and by which three-quarters relief is given in respect of factory and industrial premises, the Government preventing any evidence being taken on that most pertinent matter, thus rendering the enquiry largely derisory. But the Committee were not inconvenienced thereby. They expressed their approval of that derating policy with the privilege it establishes and deliberately made their proposals fit in with its retention.

The changes the Sorn Committee would effect are ludicrously described as constituting a great reform. Their sum and substance is that the Scottish practice should be brought into conformity with the English. Then Scotland, it appears, would be as happily situated as England. The English practice is praised and is said not to deter development nor to discourage house building, nor to obstruct industry and commerce, as the Scottish practice does. This is nonsense, for basically the two systems are precisely the same.

The picture of a relatively flourishing England and a relatively distressed Scotland is, of course, fantastic. It is an astonishing performance on the part of the eminent persons who constitute this Committee. Their one and only proposal is to stop the sharing of the liability for payment of rates as between owners and occupiers and to place that liability wholly upon the occupiers—English fashion!

But to digress and explain briefly the Scottish position and nomenclature. Local rates are levied separately on owners and occupiers on the same assessment of the property, and when the owner is also the occupier he pays both rates. The "owner" in this connection means "the person in the actual receipt of the rents and profits of lands and heritages." This will commonly be the person who is the last or lowest among the feudal holders except that a tenant under a lease of more than 21 years (in the case of minerals 31 years) is entered as "owner". In the vast majority of cases the "owner" is a feudatory ("vassal" in Scots) paying a fixed perpetual feu duty or rent-charge to the party the Scots are pleased to call the "superior" landlord who, out of the rents he receives, makes no contribution to the local rates—a circumstance which these reviewers studiously refrain from mentioning.

To give an illustration of the incidence of owners' rates (Year 1952/53): In Edinburgh, owners 4s. 2d., occupiers, 6s. 8d.; in Glasgow, owners, 7s. 11½d., occupiers, 11s. 10½d.; in Ayr County, owners, 8s. 8d., occupiers, 7s. 10d. These rates added together make the total burden on the property. But seeing that the owner includes the owner's rate in the rent he charges to the occupier, in the final analysis it is the occupier who bears the whole

* The members were Lord Sorn (Chairman), Judge of the Land Valuation Appeal Court; J. G. Banks, Lord Provost of Edinburgh; J. T. Byrne, secretary in Scottish sections of the Shipbuilding and Engineering and Electrical Trades Unions; Lord Greenhill, a former treasurer of Glasgow Corporation; Sir Hugh Mackenzie, a former Provost of Inverness; D. McNiven, a Glasgow solicitor; J. Cassels Pinkerton, city assessor of Glasgow; and Sir Thompson, convener of Peeblesshire and chairman of the Scottish Special Housing Association.

burden. It is only in exceptional circumstances that this does not happen as when lettable properties are a drug in the market, a phenomenon that will take long in appearing in now house-starved Scotland.

The Sorn Committee concentrate their whole fire on the abolition of the owners' rates, this to be done by the occupier shouldering the liability and having his rent correspondingly abated. A consequential change would be the levelling down of all assessments from the basis of the rents now obtaining (which embody the owners' rates) to that of the new rents. And further than that, the Committee would reduce the level down to that in England, which is the "net rateable value" after certain allowances for insurance, maintenance and repairs. This would mean a corresponding rise in the rate in the £, the same amount of revenue being obtained. For example, the rateable value of Glasgow would be reduced from £13,323,259 to £6,815,922 and the rate in the £ would be increased from 19s. 10d. (owners plus occupiers) to 38s. 9d. in the £ on occupiers only. This is a startling outcome, but we can let it go at that. Nor need we dwell on the subsidiary proposals. The great concern of the Committee is to abolish the owners' rates. The subsidiary proposals fall into line so that the exemption of agricultural land and the taxation of houses would be as effectively achieved as in England. And crofters' houses, built by themselves, would be rated (in breach of the Crofters Acts that have ever held them exempt) a proposal that has already raised a storm of protest in the Highlands. But Scottish local authorities, by the bringing of their rateable values into parallel with those in England and by the application of a single formula, would get a greater share of the subventions from the National Exchequer and this at the expense of England. It is astonishing that some Scottish councillors are crying hurrah on that account. A great reform indeed!

In a quick glance at alternative sources of revenue, the Sorn Committee show favour to a local income tax and to the "attractive idea" of a poll tax as means of roping in those numerous persons including lodgers and wage-earners living in family who as it is put "incur no direct liability to rates at all." The only objection the Committee offer to such taxes is the "formidable and insuperable practical difficulty" of applying them, and on that ground their adoption could not be recommended.

The Rating of Land Values is dismissed in a sentence. The alleged conclusions of the Simes Committee (1952) which enquired into Site Value Rating are quoted and accepted, to the effect that a rate levied upon a separate assessment of site values is "neither practicable nor desirable." Lord Sorn and his estimable colleagues should not have allowed themselves to be misled or to mislead others by what amounts to controversial trickery. The citation is garbled and by that it is in fact dishonest. The Simes Committee did not say what is here attributed to them. The rate levied on site values was said to be neither practicable nor desirable "having regard to the *Town and Country Planning Act and other relevant factors*," a most important and vital qualification. This was the view of the majority of six members, the minority of three contending and going far to demonstrate that site value rating was both practicable and desirable despite the provisions of that Act. Whether the majority's opinion was tenable or not is now no matter, for the conditions no longer hold good. The Simes Committee also had their hands tied; they were bidden to assume that the obstructive and indefensible development charge of the Planning Act

was inviolable and their judgment of the case for site value rating was thus warped if not foredoomed. But since then the development charge has been abolished and the Sorn Committee must be held culpable for having ignored the implication of that significant fact. The majority report of the Simes Committee should be pitchforked on the limbo where confused and invalid documents belong. The minority report takes its place to establish the wisdom, the practicability and the justice of the Rating of Land Values.

The application of that principle and policy is this: assess only the value of land; it is the natural and proper source of public revenue since, being created solely through the presence and activities of the people as a whole, it belongs rightfully to them; blot out from all assessment rolls every house or other building or improvement, for that is the "abolition" that should take place; levy the taxation on the value of land and provide that it be payable by those interested in the land value irrespective of the use to which the land is at present being put or whether it is used or not. We can hardly state it in fewer words, but of this we feel sure and without argument, that anyone who studies, carefully and shred of all prejudice, such attempts as Lord Sorn's Committee have made to defend the existing system will competently provide his own exposure of them. More often than not the "devil's advocate" gives the game away.

A. W. M.

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ST. ANDREWS AND THE 1955 INTERNATIONAL

The Ninth International Conference to Promote Land Value Taxation and Free Trade.
In St. Andrews, County of Fife, Scotland, 14—20 August, 1955.



ST. SALVATOR'S RESIDENCE HALL.

The Conference will open on August 14—one day earlier than previously announced.

A more favourable place than St. Andrews could hardly be chosen for such a gathering. It is a historic and famous town. Its many attractions make it an ideal holiday resort. It is situated on the sea coast. It is the seat of the oldest University in Scotland. It lies about 50 miles north-east of Edinburgh, see the map appearing elsewhere in our columns.

The Conference will be held within the precincts of the University. For its meetings—the United College Hall; for the accommodation of the members—the well-appointed University Students' Residence Halls; and this a great convenience to them to be thus gathered together instead of being put up at separate hotels, not to speak of the higher costs of hotel life.



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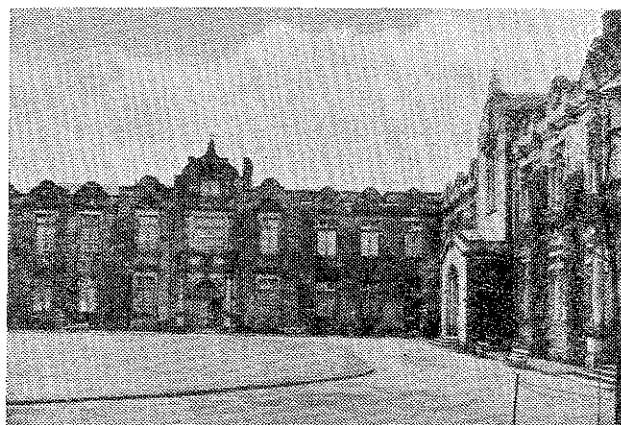
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THE UNIVERSITY, ST. ANDREWS

Fully qualified membership of the Conference entails membership of the International Union itself at minimum annual fee of 10s.; plus the special Conference fee of £1 towards organizing expenses, publications, etc., the latter payable any time before the Conference begins.

The University Students' Residence Halls provide full board and lodging. The comfortably furnished bedrooms are single or double. The inclusive terms for the full length of stay (six nights) will vary from £6 to £8 according to the nature of the accommodation, sharing of rooms being possibly required.

We invite all our readers to join the Conference. Since it is necessary that reservations for the available rooms at the residence halls have to be made well in advance it is urgently requested that early word should reach us intimating the intention of being present.



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THE UNITED COLLEGE HALL

Observers at the Conference, with Visitor's ticket free of charge, are also invited for attendance at any of the sessions. If they are accompanied by Conference members who are in residence, accommodation will be equally available for them.

Travel and (if such should be preferred) hotel accommodation is for each to arrange through his or her own travel agency; but in this regard:

Special Notice to North American Readers

We are pleased to say that Mr. Ezra Cohen, board member of the Henry George School of Social Science and of the Robert Schalkenbach Foundation, himself in the travel business, has been appointed official representative in North America for the Conference. He is willing and anxious to render all possible assistance through his travel agency, the more competently because he has himself lately visited St. Andrews and has attended in London meetings of the Conference Arrangements Committee. Our readers in North America who are planning to come to the Conference should therefore communicate with Mr. Ezra Cohen, at the Bankers & Merchants Travel Service, 511 Fifth Avenue, New York 17; Telephone: MUrray Hill 7-6938.

Those readers who are unable to attend the Conference are earnestly invited nevertheless to enrol as supporting members (on terms as above stated), incidentally receiving the Conference documentation and adding their names to its representative list of adherents.

WHY PEOPLE TRADE—By Leland B. Yeager

Extracted from Chapter 3 of Professor Yeager's new book "Free Trade: America's Opportunity"*

"The theory of free trade is extremely simple and attractive. Each country should expend its productive energies in those fields for which it is best suited by soil, climate, resources, manpower, skill, etc., and buy from other countries the goods in the production of which they, in turn, enjoy particular advantages. In this way presumably all productive energies everywhere would be employed to the highest advantage. A maximum of international trade would thus spring up, to the maximum advantage of all people."

Thus has written one of the most prominent of American Protectionists, O. R. Strackbein in *The Tariff Issue Revised and Restated*. But then the Protectionist shows that his understanding is sadly incomplete:

"It is perhaps unkind to ask just how countries or areas that enjoy no outstanding advantages, such as do exist in the world, would fare under such conditions of trade. To whom, for example, would they sell? How could their producers survive competition from those countries or areas that are economically favoured and well developed?"

The answer lies in the Principle of Comparative Advantage. For trade to benefit both a particular country and the outside world, the country need not have an absolute advantage over the outside world in producing some goods and an absolute disadvantage in producing other goods. Even in the extreme case where the country was absolutely less efficient than the outside world in producing all goods, mutually-beneficial trade could still take place. Conversely, even if the country were absolutely more efficient than the outside world in producing all goods, it could still benefit from trade. As long as its degree of inferior efficiency (or superior efficiency) were greater for some goods than for others, the country would import the goods in which its efficiency was most inferior (or least superior) and export the goods in which its efficiency was least inferior (or most superior).

A simple example involving two countries and two goods will help to make this principle clear. Suppose that one country, Superia, is more efficient (in some absolute sense) than another, Inferia, in producing both wheat and cloth. Superia's labour and resources can produce 600,000 bushels of wheat plus 500,000 yards of cloth per year, or more of either product at the cost of some of the other. Since more labour and resources go into producing a yard of cloth than a bushel of wheat, a shift of labour and resources between industries will yield 3 more bushels of wheat for each yard of cloth given up, or $\frac{1}{3}$ yard more of cloth for each bushel of wheat given up. Superia's substitution cost ratio is thus 3 bushels of wheat for 1 yard of cloth (1 wheat for $\frac{1}{3}$ cloth).

In Inferia, the available labour and resources can produce 400,000 bushels of wheat plus 300,000 yards of cloth per year. Because of the inefficiency and disadvantages besetting Inferia, wheat production and cloth production both take more labour and resources per bushel or yard than in Superia. However, Inferia's relative disadvantage is worse in wheat than in cloth: a shift of labour and resources between industries will yield more of one product and less of the other at a substitution cost ratio of 2 bushels of wheat for 1 yard of cloth (1 wheat for $\frac{1}{2}$ cloth). Thus the substitution cost ratios differ in the

two countries, setting the stage for mutually beneficial trade.

The following table summarizes the situation before trade takes place.

	PRODUCTION AND CONSUMPTION		SUBSTITUTION
	Wheat, bushels	Cloth, yards	COST RATIO
Superia	600,000	500,000	3 wheat=1 cloth
Inferia	400,000	300,000	2 wheat=1 cloth

Now international trade opens up. Since the substitution cost of cloth in terms of foregone wheat is greater in Superia than in Inferia, Superia imports cloth and pays with wheat. The terms of trade between wheat and cloth must be somewhere between the substitution cost ratios of the two countries; let us suppose that $2\frac{1}{2}$ bushels of wheat exchange for 1 yard of cloth. These terms permit Superia to get cloth by giving up less wheat and Inferia to get wheat by giving up less cloth than before.

Suppose that the people of Superia cut their yearly cloth production by 100,000 yards from 500,000 to 400,000 yards and, in accordance with their substitution cost ratio of 1 cloth = 3 wheat, expand their wheat production by 300,000 bushels from 600,000 to 900,000 bushels. The people of Inferia cut their yearly wheat production by 240,000 bushels from 400,000 to 160,000 bushels and, in accordance with their substitution cost ratio of 1 cloth = 2 wheat, expand their cloth production by 120,000 yards from 300,000 to 420,000 yards. We further suppose that Superia trades 275,000 bushels of wheat a year to Inferia for 110,000 yards of cloth, in accordance with the terms of trade of 1 cloth = $2\frac{1}{2}$ wheat. The following table summarizes the new situation.

	PRODUCTION, TRADE AND CONSUMPTION	
	Wheat, bushels	Cloth, yards
Superia	900,000 produced Less 275,000 traded away 625,000 for home consumption	400,000 produced Plus 110,000 got by trade 510,000 for home consumption
Inferia	160,000 produced Plus 275,000 got by trade 435,000 for home consumption	420,000 produced Less 110,000 traded away 310,000 for home consumption

International trade thus lets Superia's people consume 25,000 more bushels of wheat and 10,000 more yards of cloth than before. Inferia's people can consume 35,000 more bushels of wheat and 10,000 more yards of cloth. Both countries clearly gain. That one country is absolutely less efficient than the other in producing both goods does not matter.

Our illustration of the Principle of Comparative Advantage is admittedly very simplified: it considers only two countries and two commodities and postpones consideration of money prices and wages. The simplifications merely make for clarity and are in no way essential to the conclusion. We assume particular quantities and ratios, for instance, only because algebraic generalization would be harder to understand than definite numbers. It is easy to scoff at such demonstrations as "theoretical"; but, significantly, the scoffers are often precisely the people who most need enlightenment. Actually, the Principle of Comparative Advantage is beyond dispute. Countries where production is efficient and where it is inefficient can all gain by specialization and trade, just as all people gain in the following two examples: An expert surgeon who was

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also an expert instrument-washer would still gain by sticking to his greater speciality and hiring somebody to wash his instruments for him, even though the assistant might be slower than the surgeon himself. Similarly, a lawyer who was also an expert typist might gain by sticking to legal work and leaving the typing even to a typist slower than himself.

One point remains to be cleared up. Practical businessmen don't know or care anything about Comparative Advantage and don't need to: they want to buy where *money prices* are lowest and sell where *money prices* are highest. How, then, can Inferia, with its generally inefficient production, hope to attract any foreign customers and so take part in international trade? The answer lies in a generally low level of wages and other incomes ("low," that is, as translated through prevailing currency exchange rates and compared with wage levels in more efficient countries). Low wage levels—the famous "cheap labour"—permit Inferia's businessmen to price their goods low enough so that the goods in which their country has the least disadvantage can actually find foreign markets. Low wages are an inevitable result of Inferia's inefficient and disadvantaged production; but they are also what enables Inferia to export the products in which it has the least disadvantage and so earn the foreign exchange needed to import the products in which it has the greatest disadvantage. Low wages permit Inferia to share the benefits of international trade and so to have less poverty than otherwise.

As we have already seen, Superia also gains from international trade, even when trading with an inefficient, "cheap-labour" country. If Superia's government shut out imports because they were made by "cheap labour," it would harm its own people as well as the Inferians. It would be equally foolish for Superia to restrict trade because Inferia had an "unfairly depreciated currency." The difference in wage levels between Superia and Inferia—wages being translated through the exchange rate into a common currency—is necessary to allow the product price relationships that lead profit-seeking businessmen to import and export and so secure for the people of all countries involved the benefits explained by the Principle of Comparative Advantage. Superia's government would also be foolish to take a shrinkage of particular home industries as evidence of need for tariff Protection. As our numerical example showed, such a shift of labour and resources out of the industries in which Superia has the least superior advantage is an essential part of the process of benefiting from international specialization and trade.

BOOK REVIEW

The new book *Free Trade: America's Opportunity*, by Leland B. Yeager, is very welcome. Although, as is to be expected, its orientation is American (very early on it calls upon American businessmen to make U.S.A. Free Trade's pioneer exemplar to the world!), its appeal soon broadens, and the author's call for clear thinking and courageous action will surely be answered by all who believe "there is no more ultimate limit to the extent of markets than there is to human wants," and that all communities have the right to employ their productive energies to the maximum advantage of all people.

In less than 100 pages, this lively and important work sets out the arguments for and against both Free Trade and Protectionism, explains the principles of comparative advantage and specialization and, by brilliant use of image

and apt quotation, reveals how tariffs, subsidies, quotas and customs regulations serve sectional interests at the expense of the people generally—"expedients for dealing with local sores while ignoring the general health of the body politic," and how these "negative railways" block and impede national and world trade.

Here is a reasoned examination of the vexed question of sweated labour, low costs and dumping, and here are exposed the false assumptions of the "practical business man" based on incomplete knowledge and muddled thinking; the wilful ignoring of what history has taught us of the changes wrought by improved technology and a people's natural capacity for adaptability. The author explodes the fallacies contained in those pleas for special consideration which lead to lobbying and political corruption, and does not spare the lunatic fringe of "practical men" who can claim gloves, pens and peanuts as strategic materials, and the army of customs officials like those who delayed a shipment of coats while wondering whether to charge duty according to the wool or the buttons, and treacle tarts (molasses pie in U.S.A.) because an inspector said there was no such thing as treacle in the regulations.

We are asked to consider what it would mean to world peace if these manufactured difficulties for restricting trade were swept away and, by "wise economic co-ordination," the nations became "one financial and trading community."

A practical summing-up tells of efforts already made to reduce tariffs by trade agreements (incidentally casting a significant light on the precarious position of the balance of trade in U.S.A.), and outlines a course of thought and action for nations and individuals who would restore Free Trade and do away with the present "misuse of business ability and political machinery."

E. W. PILCHER.

TWO KINDS OF "PROTECTION"

Dry footwear and warm gloves, so necessary to the maintenance of health and bodily comfort in a northerly country, may well be regarded as a combined form of insurance and health service, the essential equipment of every prudent person. But for many working people on low wages and with large families to feed and clothe, and for old folk living on fixed incomes savagely diminished by inflation, the cost of British footwear and knitwear is beyond their means. If it were not for Hong Kong sending such goods cheaply they would have to go without or would have to deprive themselves of some other item. In a very real sense, that far away colony is providing a "welfare service" much appreciated in many British homes as well as maintaining its own economy by such trade.

Protectionists regard such imports as a dangerous threat to British industry.

Questions asked, June 17, by MAJ. N. MACPHERSON (Cons., Dumfries) were typical of many repeatedly directed to the President of the Board of Trade. Was the Minister aware of the concern felt at the rapid increase in the volume of imports of rubber footwear? Would he investigate with the Hong Kong government whether the competition at present was entirely fair? If it was not, would he go further into the matter to see whether action could be taken along the lines taken before the war? Was the Minister aware of the concern that was felt by both the employers' and the employees' organizations at the volume of knitwear imports from Hong Kong? Was he aware that goods were being offered at prices which scarcely covered the cost of the raw materials contained in them?

The Minister of State, Board of Trade, replied that he had no evidence of "sweated conditions" in Hong Kong. To impose quotas or duties on imports from that or any other colony would be contrary to the policy of H.M. Government.

WHAT THE LAND QUESTION MEANS—By F. A. W. Lucas, Q.C.

The land question is really the fundamental question for us all. Until we solve it, which can be done only on principles set out in the Bible, we shall not be able to solve any of our most pressing problems, such as malnutrition, slums, racial fears, unfair segregation, and the spread of Communism and other forms of totalitarianism.

Cardinal Manning wrote: "The land question means hunger, thirst, nakedness, notice to quit, labour spent in vain, the toil of years seized upon, the breaking up of homes, the miseries, sicknesses, deaths of parents, children, wives; the despair and wildness which spring up in the hearts of the poor, when legal force, like a sharp harrow, goes over the most sensitive and vital right of mankind. All this is contained in the land question."

It is surprising that professing Christians, who believe in the Fatherhood of God and the brotherhood of man, can support our present land system. It is based on the assumption that at some time or other someone had the right to dispose of the earth to a few favoured persons who thereafter had the right and the power to demand a ransom price from anyone who, in order to be able to live, had to come to them to buy or hire their land. As this ownership conferred the strongest kind of monopoly (Sir Winston Churchill once called it the father of all monopolies), the landowner could compel the landless to pay him a scarcity or famine price or rent for its use. One can hardly conceive of a normal human father who would treat his offspring in that way. How much less a Creator who is Love and who is no respecter of persons!

Our present land system is wholly incompatible with the conception of the brotherhood of man. In the Bible we read: "The earth is the Lord's, and the fulness thereof"; "the earth hath He given to the children of men"; "the land shall not be sold for ever: for the land is mine"; and the all-embracing Golden Rule, "Whatsoever ye would that men should do to you, do ye even so to them." With none of those precepts can we reconcile our land system which permits one person to hold land to the exclusion of the rest of the community, who are his co-heirs to the Creator's gifts, without his paying to them compensation for the deprivation of their equal rights which his exclusive possession gives him. To-day a person can acquire as much land as he can afford to buy and hold it out of use, despite the need of his fellows to have that land to live on or to use to produce on it the necessities of life or what will be taken in exchange for them. The land and the natural bounties which go with it are God's gifts, but the landowner claims the right to withhold them from us unless we are willing and able to pay him the price he demands for them.

In any civilized state the system of land tenure should give the occupier complete security of possession for all the improvements he makes and the things he produces. Such security can be readily given with exclusive possession of land and at the same time full recognition of the equal rights of everyone to the land. By requiring every landholder to pay to the state for the benefit of the whole of the community the annual or rental value of the land he holds, we should achieve an equal interest for all in it. Under such a system everyone would be able to have all the land he could use without having to buy it, but would not have any inducement to hold any he could not use. He could have exclusive possession under a title as secure as the present freehold title.

Henry George, the author of *Progress and Poverty*,

dealing with this subject, said: "We propose to establish equality between men with relation to the element on which and from which they must live; not by dividing the land up into equal pieces; not by taking land as the formal property of the state and renting it out; not by taking from anyone any land that he now has, but simply so changing our system of taxation as to abolish all taxes now levied upon labour and the products of labour and take by taxation for public purposes that value which attaches to land by reason of the growth of the community."

We have seen that this accords with the concept of the brotherhood of man. It also accords completely with the principles of real justice. Writing in 1881, Dr. Thomas Nulty, Bishop of Meath, said: "There is, moreover, a charm and a peculiar beauty in the clearness with which it (the growth of the value of land) reveals the wisdom and the benevolence of the designs of Providence in the admirable provision He has made for the wants and the necessities of that state of social existence of which He is the author, and in which the very instincts of nature tell us we are to spend our lives. A vast public property, a great national fund, has been placed under the dominion and at the disposal of the nation to supply itself abundantly with resources necessary to liquidate the expenses of its government, the administration of its laws and the education of its youth . . ." He goes on to point out that "One of the most interesting peculiarities of this property is that its value is never stationary; it is constantly progressive and increasing in a direct ratio to the growth of the population; and the very causes that increase and multiply the demands made on it increase proportionally its ability to meet them."

The value of land, whether used for farming, mining, or urban purposes, as distinct from the value of improvements made on it, is not created by the owner but is made and maintained from day to day by the presence and activities of the community. The value of land, therefore, as a community-created value, should clearly accrue to the community without which it would not exist. If we took for the state that community-created value we should have a revenue sufficient to enable us to abolish existing forms of taxation each of which now hampers trade and raises the cost of living. The freeing of the land for use, which would follow such a step, would release an enormous fund of energy that is now dammed up and frustrated. It would remove the sense of injustice which our present economic system produces and which tends to foster the spread of Communism.

I believe that, had the people who followed Karl Marx and brought about the Russian revolution turned instead to the teachings of Henry George on the land question, totalitarianism as we have experienced it at the hands of Germany and Russia would never have been able to raise its head and those countries would to-day be enjoying real peace and happiness and have pointed out the way for us to achieve them.

The foregoing is taken from an article specially written for the September, 1954, issue of the *South African Catholic Times*. In his introductory paragraph Mr. Lucas wrote: "It is only recently that any widespread appreciation of the importance of the land question has been shown in the Union. The rise of the land barons who, despite the warning of Isaiah 'add field to field', has made even the most conservative among our (South African) people realize that there is something wrong."

VICTORIA: FURTHER GAINS IN THE MUNICIPAL FIELD

City of Sale and Eltham Shire Adopt Land Value Rating

By polls of ratepayers taken on August 28th the City of Sale and the Shire of Eltham have been won over to the Rating of Land Values. Hitherto local rates in these areas have been levied on the annual rental value of land and buildings taken together. In future the rates will be levied on the value of land alone (at its capital value) and thus buildings and other improvements will be exempt from rates. The voting at the polls was as follows:—

	For Land-Value Rating	Against Land- Value Rating
Sale City	1,932	736
Eltham Shire	3,418	3,128

The city of Sale, population 6,000 and area 5,442 acres, is situated in the county of Tangil in the Gippsland district, some 220 miles east of Melbourne. It is the centre of an agricultural, grazing, irrigation and dairying area. Eltham Shire, population 8,872 and area 190 square miles, lies some 16 miles north-east of Melbourne. It is residential and the industries are principally agricultural.

In an air-letter reporting the results, Mr. A. R. Hutchinson, the editor of the Melbourne *Progress* and secretary of the Land Values Research Group, writes that the margin of favourable votes in Sale was the largest of any adoption poll in Victoria since Dandedong in 1920; and in his memory the campaign was the best organized and most sustained of any. The *Gippsland Times* which has a very wide circulation gave good space over more than eighteen months and the cuttings of press reports, correspondence, etc., make an immense volume. The success in Sale is likely to have profound influence on local authorities further afield, as in Maffra and Moe in the Gippsland district.

Progress mentions Messrs. J. H. Morris and A. W. R. Wood as having taken a prominent part in the campaign; and very active as well as most helpful was Councillor G. L. Cameron under whose guidance the Land Values Research Group was able to prepare a survey showing how Land-Value Rating would affect the ratepayers of the City, this survey having been invited by the Council itself. This survey aided materially in influencing the good vote.

REASONS FOR THE CHANGE

In Eltham Shire, excellent publicity was given by the *Diamond Valley Local* and among the leading protagonists for the reform were Messrs. J. H. Morris, E. D. Rourke, D. Stuart, A. R. Hutchinson, D. K. Alexander and D. C. O'Briene. In a pamphlet "for and against" issued by the Eltham Shire Council for the information of the citizens, the case in favour of "Site-Value Rating" (the levy of rates on the value of land apart from improvements) was fairly stated. These were some of the main points:

"Site-Value Rating is just and equitable in its treatment of ratepayers. Under it, the homes, farm buildings, fencing, cultivation and other improvements made by the owner are completely exempt from direct rating; these improvements are the work of the citizen himself and have no relation to the services offered by the Council.

"The site-value measures the extent of the services offered by the Shire to the owners; where those services are few, the site value per foot or per acre is low; where they are centralized, it is higher; by rating on site value the owner is left in exclusive possession of the values he has himself created . . .

"The Shire would receive the same total revenue, but spread more equitably over all the owners in proportion to the value of the sites held, instead of concentrating the rate-burden on those with farms, homes or other improvements.

"In the Shire, there are more vacant lots than lots with buildings, yet more than 90 per cent of the total revenue has been coming from those with homes, farms or other buildings. Site-Value Rating will relieve those (properties) of an unfair burden while the vacant lot-holders would simply be called on to pay their fair share towards the cost of the services offered by the Council to vacant and to developed sites alike.

"Vacant lot-holders who intend to build are best served by Site-Value Rating. Under the present (and now to be abandoned) system they might pay £1 per annum before building and £15 to £20 per annum after building. Under Site-Value Rating the above lot-holders would pay approximately £3 10s. a year on their lots and would continue to pay the same sum after they have built.

"Site-Value Rating will lead to a more compact development around the serviced area, as the higher rates on vacant land will discourage speculators and those lots will become available for genuine home-seekers, thus preventing premature subdivision further out with additional cost to the Council in extension of services before they are needed."

Summarizing the position in Victoria and including now Sale City and Eltham Shire, Land-Value Rating is the established system for local taxation in six shires and twenty-one urban municipalities of which sixteen are within the Melbourne metropolitan area. Fifteen of the boroughs within that area, including the City of Melbourne itself, have yet to be won for Land-Value Rating.

It is significant that in no Victoria local authority where Land-Value Rating has been adopted has there been reversion to the old system of charging rates upon buildings and improvements. Opponents of Land-Value Rating have attempted this reversion by polls taken for the purpose in Dandedong, Brunswick (twice), Sandriggihan, Oakleigh, Northcote, Kew, Rosedale and Frankston, and Hastings Shire, and on every occasion they have been defeated.

Other Australian States

Where Land Value Rating Applies

The principle of imposing local authority rates solely on the value of land and exempting improvements was first legalized in Queensland by the Valuation and Rating Act of 1890, following upon previous enabling Acts. The 1890 Act made the principle mandatory throughout the State and it is of interest to note that, since no buildings or improvements are rateable, no valuation is made of them (but Commonwealth Government properties are treated exceptionally).

NEW SOUTH WALES

The rating of land values is in universal operation throughout the State. It derives with negligible exceptions the whole rate revenue of the cities, municipalities and shires. This is to except also the revenue collected by the autonomous Water and Sewerage Boards in the Sydney and Newcastle areas, which levy their rates on the annual

value of land and buildings taken together. The 1953 statistics for the whole State show as follows:

	Assessed Land Value (Selling Value) £	Revenue from Land Values General Rates £	Other Rates £
City of Sydney ...	101,588,468	3,472,682	—
Sydney Suburban Municipalities	213,459,287	5,837,362	208,024
Newcastle City ...	15,780,714	546,978	126,026
Country Municipalities	80,250,194	2,545,670	687,315
Shires ...	252,203,079	5,851,694	1,054,093
	<u>£663,281,760</u>	<u>£18,254,386</u>	<u>£2,075,458</u>

SOUTH AUSTRALIAN LAND TAX

When not long ago the Australian Federal Land Tax was repealed, the Federal Chancellor maintained that it was for the several States to take action, as they might choose, to amend their own State Land Taxes or to impose a Land Tax filling the place of the Federal Tax.

Only one of the States has as yet taken such action—South Australia. In others, as in New South Wales, there are proposals under consideration.

In South Australia from 1884 to 1895 there was a uniform all-round annual tax of one half-penny in the pound of the capital value of land apart from improvements. In 1895 an amending Act was passed by which an additional annual tax of one half-penny was levied on all land values any landholder possessed in excess of £5,000, that tax being increased by 20 per cent in the case of absentee landholders. Later, in 1936, the rate of the all-round tax was raised to three-farthings in the pound; the tax on land values in excess of £5,000 was about three-farthings, with the 20 per cent extra in the case of absentee landholders.

Following the repeal of the Federal Land Tax, the South Australian State Government, by an amending Act passed in December, 1952, decided to obtain more revenue from land values by altering the rates as follows:—

On Taxable Land Values

Not exceeding £5,000 ..	Three-farthings for each pound.
Over £5,000 under £10,000	£15 12s. 6d., plus 1½d. for each pound over £5,000.
.. £10,000 .. £20,000	£46 17s. 6d., plus 2½d. for each pound over £10,000.
.. £20,000 .. £35,000	£151 0s. 10d., plus 3½d. for each pound over £20,000.
.. £35,000 .. £50,000	£369 15s. 10d., plus 4½d. for each pound over £35,000.
.. £50,000 .. £65,000	£651 0s. 10d., plus 5½d. for each pound over £50,000.
.. £65,000 .. £80,000	£994 15s. 10d., plus 6½d. for each pound over £65,000.
Exceeding £80,000 ...	£1,401 0s. 10d., plus 7½d. for each pound over £80,000.

In *South Australia* there are 143 local governing bodies—municipalities and district councils; 27 of these bodies levy their rates on land values.

In *Western Australia* there are 147 local governing bodies. Four of the municipalities levy rates on land values. Of the "road districts" (corresponding to counties or shires) 28 rate solely on land values, the other 100 rate partly on land values and partly on composite values (land and improvements); but only 16 per cent of their total rate-revenue comes from rates on the composite value.

* We are indebted to Mr. E. J. Craigie for the latest statistics relating to New South Wales, he having received them since his arrival in England, from official quarters.

The tax on absentee landholders is levied at the above rates, plus 20 per cent.

It is regrettable that the South Australian Government when it was amending its Land Tax Act did not take the opportunity to provide for a straightforward tax at an *equal* rate per pound of value; that is, an overall uniform rate which would produce the total of the contemplated revenue; this would obviously lie somewhere between the ¾d. and the 7½d. of the rates above stated. The *grading* of the rate of tax is quite anomalous and there is no justification whatever in thus discriminating between one landholder and another. Moreover, as has been so amply proved in the case of the Federal Land Tax, which suffered from this defect, the economic results in actually fostering speculation in land (by the fact that when the "big" landholder sells to the "small" landholder, the former easily pockets the tax of which the "large" holding has been relieved) have been only too apparent.

THANKS FOR THE VISIT

Mr. E. J. Craigie completing his three months' sojourn in Europe, his memorable holiday as he himself described it, sailed home for Australia on September 21. From colleagues and co-workers in Great Britain and Denmark he took with him their gratitude for the pleasure and inspiration of his company. Besides the tours he made through England to the north of Scotland and through France to Switzerland he spent a fortnight in Denmark. During that stay he was able to fulfil an important engagement, arranged at short notice. The Justice Party were holding their annual Summer Convention at Ry in Jutland and they secured him as their guest speaker. He was fortunate to meet so many, for it was a record attendance of more than 240 delegates; he was fortunate to enjoy the stimulating spirit of that gathering with its eloquent testimony to the work being done for the movement. And they were deeply impressed by the account he gave not only of conditions generally in Australia, but also in particular of the campaigns to bring Land Value Rating into operation and the victories that had been gained [In which he it said Mr. Craigie has played a most notable part]. The days spent in Copenhagen by this "holiday maker" were also used to great advantage. An excellent and long interview between him and editor Mr. J. Schmidt Hansen was published in the weekly journal, *Vejen Frem*. There were the conversations with many of the friends in their homes and offices (Danish hospitality abounding); and unfailingly, of course, the hours at the Central Valuation Department where Mr. K. J. Kristensen

and his assistants welcome any such visitor who is eager to know and to be shown from well-tested practical experience how the assessing of the value of land apart from buildings and improvements is set about; and generously they give of their time in these explanations.

On the eve of Mr. Craigie's departure on the ship to

Melbourne, he entertained the staff at No. 4 Great Smith Street to luncheon. *Bon voyage*, and the thought of the parting buoyed by the injunction *Au revoir* at next year's International Conference! This too—an express instruction to convey greetings on behalf of the British movement to all in the Henry George camp whom he is about to rejoin.

NEW ZEALAND: THE LAND TAX UNDER FIRE

For the past sixty-three years some part of the community-created value of land in New Zealand has been collected for the common weal under the provisions of the national Land Tax first imposed in 1891 by the Liberal Government under John Ballance. Now a concerted attack has been launched by the Federated Farmers and the Associated Chambers of Commerce for the repeal of this legislation. The Royal Commission on the Sheep Farming Industry, 1949, without producing any evidence, recommended its abolition in regard to rural lands and the Taxation Committee, 1951, came to the conclusion "that Land Tax is indefensible in principle, and recommends that it is completely abolished as to all land."

The N.Z. League for the Taxation of Land Values has responded promptly to the campaign by publishing a printed pamphlet written by its president, Dr. Rolland O'Regan, entitled *In Defence of the Land Tax*. Commencing with a brief statement on its historical origins and purpose, the author outlines the provisions of the Land Tax, gives details of its past and current yield and effectively answers six of the main arguments being marshalled by opponents. These are: that the tax is costly to collect; that it violates the principle of ability to pay; that it is a class tax; that it has achieved its object of breaking up large estates; that land owners require no incentive to develop their holdings in town and country; and that it is inequitable because land is not simultaneously valued throughout the country.

It will be noticed that two of these criticisms are, in effect, testimonials to the principle of land value taxation, the more striking because they are accorded by opponents, however grudgingly and unintentionally, namely that to lay taxes on the economic rent of land *discourages* the holding, for mere speculative or other purposes, of more land than the holder can use and *encourages* development. But that is by the way.

There is some substance in the complaint against present valuation methods. Dr. O'Regan admits the charge, but he argues that the solution is to be found not in repealing the Land Tax but in adopting the Danish practice of periodical revaluations undertaken simultaneously for the whole country. The N.Z. League advocates reform on those lines. While the author acknowledges that when the Tax was introduced one of the political battle cries on its behalf was that it would break up large estates, he contends that it is undeniable that the Tax was imposed primarily to provide revenue. Regrettably the Tax has never been large enough to dissolve large aggregations of land value, but it has had a "wholesome abating effect on this evil and were it substantially increased it would have a proportionately greater effect and would tend to a wider distribution of property." Pertinently Dr. O'Regan remarks that the size of an estate is to be measured *not by area but by value*; thus one city block in Auckland or in Wellington may be a "larger estate" than many a rural county.

This "tiny impost, trimmed and hedged about with restrictions and exemptions," yields a paltry £1 million

annually. That is only 0.82 per cent of the present national income. In former days the percentage was much higher. Thus in 1922, when the yield was £1,637,000, the tax provided ten per cent of the national income. But small though it is at present both in amount and as a proportion, the tax not only has no harmful economic effects but, like all taxes on economic rent, it has considerable beneficial consequences, economic and social. To repeal it would be to hand a capital sum of approximately £20 million to small sectional interests and to place an additional harmful burden upon the national economy. Industry, agriculture and the home owner would receive no benefit whatsoever from its repeal—quite the contrary.

The nature of land value and the case for its public appropriation is well stated by the author. Briefly put, and quoting from the pamphlet, it is that (1) "land values are not the product of human labour but arise from Nature or from the communal activity of men; they should therefore be owned by all men, *i.e.*, the community," and (2) "all New Zealanders have natural and equal rights in the soil of New Zealand." The second principle has long been recognized, the Royal Commission on Taxation, 1922, expressing it in these terms: "The right to occupy land in New Zealand is deemed by the state to be a privilege for which the occupiers should pay and such payment becomes a first charge on the land and precedes all other debts and liabilities."

The present basic rate of the land tax is 1d. in the £ on the capital value of land apart from buildings and improvements, but this is subject to certain exemptions as follows: Owners of land having a capital unimproved value of less than £1,000 pay no tax. Those whose properties are between £1,000 and £1,500 pay 1d. for each £1 in excess of £1,000. Between £1,500 and £2,500 the exemption of £1,000 is progressively diminished by £1 for every £1 in excess of £1,500. This is the "ordinary exemption." Between £2,500 and £5,000 a tax of 1d. is levied for each £1 of land value.

Alternatively, land owners may claim an exemption allowance not exceeding £7,500 in the case of mortgaged properties, or an exemption allowance not exceeding £4,000 in the case of widows with dependent children, or, in the case of special hardship, an exemption allowance not exceeding £2,500 may be claimed. In each instance the tax then payable is 1d. in the £ on each £1 of the remaining "taxable unimproved value" up to £5,000. Where the "taxable unimproved value" after one or other of these exemption allowances has been claimed exceeds £5,000, the rate of tax (that is, 1d. in the £) is graduated, being increased by 1/8,000d. for every extra £1 of land value with, however, a maximum rate of 6d. in the pound.

These exemptions and differential tax rates are morally and economically indefensible, and both the author and publishers of this pamphlet condemn them. Their ideal is a tax on the value of land at a uniform rate in the pound, without graduation and exemptions.

LATIFUNDIA IN DERBYSHIRE

The pending disintegration of the Duke of Devonshire's estate in Derbyshire is causing grave concern to farmers in that county. As a first step towards meeting the death duties on the estate of the late Duke, the present Duke has ordered more than 50 farms and 4,500 acres in the Peak District to be sold, giving sitting tenants the opportunity to purchase their holdings. Any farms not so taken will be offered for sale by auction in October.

The news of this "forced sale" has prompted the county executive committee of the National Farmers' Union to call for a national investigation of how the sales of large estates will affect tenant farmers. Judging from the public statement made by Mr. Ivor Moreton, Chairman of the Derbyshire Hill Farming Committee and a member of the county executive, the farmers appear to regard as a desirable and beneficial institution the present system of territorial landlordism whereby one man is able to lay claim to thousands of acres of the national heritage and to appropriate for himself the rent which neither he nor they have created.

FARMERS FEAR BANKRUPTCY

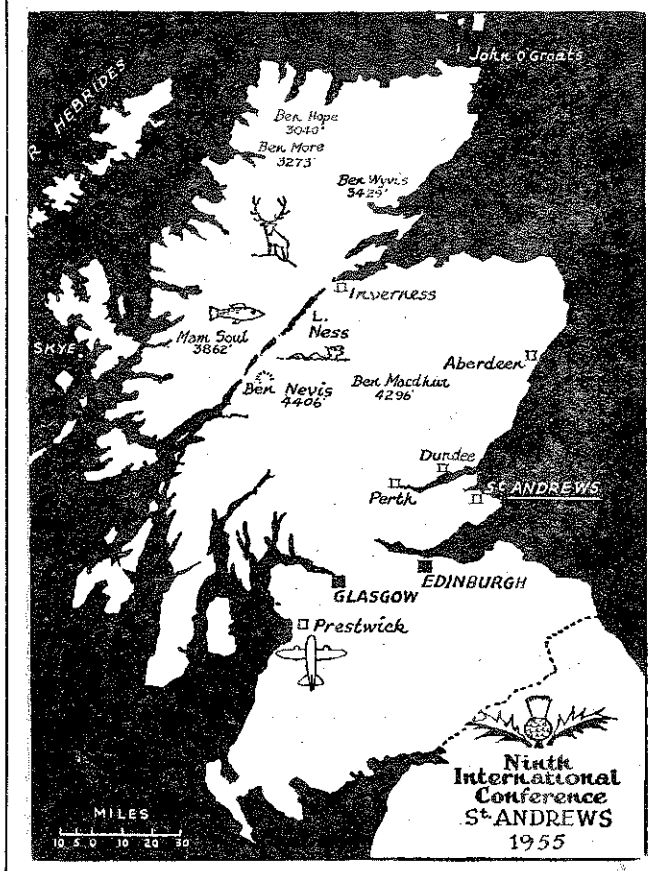
As reported in the *Daily Telegraph*, September 14, Mr. Moreton said: "We think that it is a good thing for farmers to own their land, provided they have the necessary capital. But when large estates come on the market the farmer either gathers together all his savings and liquid capital to buy his farm, or he raises a mortgage and finds that he has to pay an interest much more than he ever pays in rent. He has no money to expand production, and he may not even have enough to maintain it at its present level. If any depression occurs these farmers will face bankruptcy on a larger scale than ever before. It is time that all political parties realized that crippling death duties mean large sums of capital are being withdrawn from agriculture and can never be replaced. Sales of large estates are forced on the landowners, farming loses what little security it has—and the huge sums demanded in death duties last Whitehall about 10 minutes. The landowner, the farm and the country, all lose in the end, and there is no gain to anyone."

Some of the sentiments thus expressed may be readily endorsed. They amount to a striking criticism of the effects of the very measures designed ostensibly to help the farming community, sought and advocated by the farmers themselves—the guaranteed prices and markets, the subventions doled out so liberally, the exemption of agricultural land from contribution to local taxation, the restrictions on imports. Each is crystallized ultimately in enhanced land value. When farms are sold the purchaser has to pay a private individual not only a monopoly price for permission to use a certain number of acres of a given quality in a particular locality (which is, itself, an intolerable iniquity), but he has also to pay the capitalized value of the various government-given gifts of dubious value, on the assumption that these will continue to be dispensed. Such a man lives on the edge of a precipice. Subsidies are ephemeral; mortgage repayments are not; the government has but to reduce or withdraw the subsidies or to liberalize trade and bankruptcy will stare him in the face.

But what has this to do with death duties and the breaking up of large estates? The man who enters the agricultural industry to-day, buying his holding from a small farmer who wishes to retire to the city, is in precisely

SKETCH MAP OF SCOTLAND

(Specially drawn by Stephen Martin)



the same position economically. The price he pays is no less than that paid by the sitting tenant who purchases from a Duke hounded by the Inland Revenue. This is not to defend estate duties. So far as they fall upon buildings and improvements, that is to say, upon the work of men's hands, they are to be condemned as morally and economically indefensible, a penalty imposed upon enterprise, varying in severity according to the degree to which an estate has been developed.

FOR A PROSPEROUS AGRICULTURE

The choice confronting the farming industry is not, as presented by Mr. Moreton in his statement limited to whether it is more desirable to farm as the tenant of a ducal landowner, or of the State (farmers, he said, did not want the Government to assume the rôle of landlord), or to purchase one's farm. There is a fourth alternative and one that would be of advantage to every working farmer, namely, the right of private title to the land subject absolutely to an annual payment to the local and national exchequer of an amount equal to the value of the bare land of the holding, periodically reassessed, and with remission of taxes on buildings and improvements, purchases and earnings. Given that they understood properly the implications of such a proposal how many farmers would not choose this alternative? It is fair to assume that only those whose income is derived predominantly from subsidy-swollen land value would refrain from such choice. They are the farmers for whom, to quote Mr. Moreton, it is "a very good thing" to own their land.

P. R. S.

DIALOGUE IN AN ESTATE AGENT'S OFFICE

Characters: An estate agent and a prospective purchaser of a building site.

P.P. (entering office): I am thinking of purchasing a lot in this district and building on it. Have you any good sites available?

E.A.: Yes, sir, a number. Won't you take a seat, and I shall be pleased to give you all the information about them that you require. In the first place, do I understand that you mean to build a house for your own use?

P.P.: Yes, that is so.

E.A.: In that case (producing plan) I can very strongly recommend a site on this estate. There are still several lots left, and in my opinion it is certainly the finest building land in the district.

P.P.: And the price?

E.A.: The best lots are £10 a foot, and others range down to £7 a foot.

P.P.: Hm, that's a fairly stiff price.

E.A.: But if you take into consideration all the advantages offered by this land, I think you will agree that the price asked is not at all unreasonable. The land faces a good asphalt pavement and cement side walks. There are gas and water mains in the street, and the electric light is bound to be extended there very soon. Although the neighbourhood itself is a purely residential one and is very quiet, it is within easy distance of the business centre, and of all the churches, and the public school is only ten minutes' walk away. Besides, the whole neighbourhood is inhabited by a decidedly good class of people. There is another thing to be taken into consideration, too. The electric railway extension which has been authorized, and is to be proceeded with at once, will pass close to this property. I assure you that, as soon as this extension was decided on, values all along the proposed route jumped at least 50 per cent, and there is bound to be a further increase as soon as the line is opened for traffic. Moreover you must remember that all over the district land values are high, owing to the splendid climate which it enjoys and its bracing air, and the magnificent views which can be obtained from nearly every part of it. We are about 800 feet above sea level here, you know.

P.P.: But there seems to be some misunderstanding. What I want to buy is a piece of land. What you are offering to sell me is the gas and water supply, the transport system, the neighbours, the climate, the scenery, and all the other things that you referred to. Why should I have to pay the owner of the land for all these things?

E.A.: Well, I never heard anyone put it that way before. But surely you will admit that all these advantages of site and environment that this land offers are worth paying extra for, and therefore make the land more valuable?

P.P.: I don't dispute that I ought to pay for all these advantages, but I do object to paying someone who has done nothing towards supplying them. If I order a suit from my tailor, of course I expect to have to pay him for it, but I would object if some person who had nothing to do with the matter at all came along and demanded payment. Now who has provided the water supply, the transport, the public school, and all the other things that have been mentioned?

E.A.: The public authorities, either national or local, I suppose.

P.P.: Precisely so, and therefore they are entitled to take the added value of the land, and not a private person who has done nothing in the matter at all.

E.A.: But what about the value given by the climate, scenery, and so forth? On your argument the State did not create that value, and therefore has no right to it.

P.P.: No one created that, and therefore no one has any better right to it than anyone else; that is to say, everyone has an equal right to it, and the State can rightly claim it to be used for the good of the community as a whole, especially as the value of particularly desirable land is entirely due to the presence of a population desiring to use it; even the best sites would have no value if there were no population desiring to use them. Of course I am quite aware that under the present unjust law the so-called "owner" of this land has the power to make me pay him the full value of all present and even prospective advantages attaching to its use, though he cannot show a particle of just title to such value. So I shall go and look at the sites you have told me about, and, if I cannot obtain better terms elsewhere, I suppose I shall have no alternative but to pay up. Good morning. (Exit P.P.)

E.A.: Great Scott! If ideas like this become at all prevalent, it will be all up with the land speculating business.

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