

# THE TAXATION OF LAND VALUES.

What it is, and what  
it would accomplish.

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# The Taxation of Land Values.

## WHAT IT IS AND WHAT IT WOULD ACCOMPLISH.

To properly know what is meant by the Taxation of Land Values we ought first to understand the system on which we are taxed to-day. We shall then be in a position to see how what at first sight might only appear to be a small change in our taxation methods would in reality be a far-reaching and beneficial measure, profoundly altering for the better all our relationships; would indeed go far towards the solution of the social problem itself.

Broadly expressed then, apart from indirect taxes, our present system is to tax the *Producer* and to tax him in proportion to the value of his produce. Thus the Income Tax is a tax on people according to what they earn (which is presumed to be their produce). It does not take into consideration the source from which their incomes are derived as we shall see later on. All local rates such as Poor Rates, School Rates, Police Rates, and Sanitary Rates, are at present assessed on the annual rental of the houses occupied, so it may be said that people have to pay these rates according to their income because as a rule the better the house occupied, the larger the income of the occupier. In the same way the man who now builds a Mill or a Factory finds that one of the first exactions he has to submit to is a tax on his Mill according to its rental. The Machinery in the Mill is also valued and taxed in the same way. The Railway Co. which builds a new line or erects a new station soon finds the assessor on its track; the improvement is valued and taxed accordingly. We all know of the obnoxious old window tax and how it resulted in darkened houses, but it is only now beginning to be realised that the present tax on houses them-

The meaning of our present system.

Our present taxes on houses, factories and machinery.

selves is worse than the window tax ever was. It may even be doubted whether the bread tax of the early eighties was so harmful as is the present house tax.

Our present system a burden on the Producer.

Look straight at our present system of taxation, and you will see it means the taxation of the Producer and that its effect is to penalise production. We still adhere to the system of the Eastern Potentate who taxed his subjects according to the number of date trees they grew, the effect being of course to discourage the planting of date trees, and even to induce the cutting of them down. If instead, our dusky friend had taxed his subjects according to the value of their Land, and had stopped taxing date trees, they would perforce either have made their Land as productive as possible, or have yielded it up to others ready to do so, because they would have had to find the wherewithal to pay this tax. Thus would date groves have sprung up where before was a wilderness.

But we follow the lead of the Eastern Potentate and in precisely the same way do we penalise the Producer, whether he be working man, trader, employer, or railway company. How bad this is for trade need only be stated to be understood. One and all are treated as was the planter of date trees, because in measure as they are successful in producing, so are they taxed. We may not yet have reached the point where taxation is so onerous that men refuse to produce at all (as it was reached when the Eastern Planter cut down his date trees), but the truth of what has been said is clearly recognised in practice, for the authorities well know that taxation on the present lines may reach the breaking point. It may be pushed so far that nothing is added to the revenue by increasing the rate of taxation, for by so doing the goose that laid the golden egg is done to death.

The meaning of the Taxation of Land Values.

Recognising that our present system of taxation is taxation of the Producer and therefore discourages the production of wealth, let us look at the alternative system known as the "Taxation of Land Values" and see what it is.

In every civilised community a value attaches to the bare Land altogether apart from the value of the improvements that have been put upon it; houses, factories, railways, fences, drainage, and so on. Much Land actually is purposely kept unimproved, but it has this value none the less as we see in the case of vacant lots in and around towns and cities. The taxation of Land values means the ascertaining of the value which thus attaches to the bare Land and the raising of revenue by taxing that value for public purposes, *the value being taxed whether the land is used by the Owner or not.*

There are in society two distinct kinds of value. The first Values which kind of value is that which is the result of individual effort, as <sup>result from individual</sup> when a fisherman lands a fish or a joiner makes a chair. This effort. value should in equity belong entirely to the individual since it is the result of individual effort. It is neither just nor expedient that the public should take any part of it in the name of tax. Still this is what we actually do under our present system.

The second kind of value is that which results from the Values which presence and activities of the whole community, and it <sup>result from the community's</sup> expresses itself as the value of the bare Land apart from the <sup>presence.</sup> improvements on it. It is therefore a value which both in justice and expediency ought to be devoted to public uses, because it is created by the public. It is a communal value, and should therefore be shared in common. In other words, it should be taken in taxation. If you tax it in part (say 2/- in the £ as asked for in the Bill of the Glasgow Corporation now before Parliament), then you have made a beginning with the Taxation of Land Values. If you go further and tax it so as to derive your *whole* public revenue from it, and at the same time abolish all other taxes, then you have the Single Tax. The Single Tax is the logical issue of the Taxation of Land Values and under it as Henry George wrote "We would simply take for <sup>The Single</sup> "the community what belongs to the community—the value that Tax." "attaches to Land by the growth of the community; leave "sacred to the individual all that belongs to the individual."

It is wrong and demoralizing to discourage production by taxing labour, enterprise, and thrift, and there is no need for it. The seeming necessity only arises from the failure of the State to take its own natural and adequate revenue—the value given to our land by the very fact of our presence on it. What would be the effect if we were to adequately tax Land Values?

How Taxation of Land Values would free industry.

The first effect would be that having now tapped a magnificent source of revenue we would be able to repeal some or all of the present taxes which lie so heavily on the working man and the trader. In proportion as we taxed the value of Land so could we remove the present taxes which lie as a dead-weight on the Producer. We would not then be driven to tax a man as soon as he earned a wage or made a profit, thus practically fining him as we now do. The freeing of industry would therefore be its first effect.

But that is not all. Having adopted the new system and thrown off the old shackles, we would then be in possession of a public revenue raised from a tax which would have the very opposite effect to our present ones. The new tax would act as a premium on industry instead of a fine on it. It would act as a stimulus instead of a hindrance to production, and would result not only in more wealth but in more justly distributed wealth.

Let us clearly understand how this would come about. All wealth is the result of labour exercised on Land. There is no source of wealth open to labour other than the planet on which we live, for the tailor in his garret, or the merchant in his office, is just as much a land user as is the labourer or farmer on the field. It therefore follows that the more easy it is made for labour and enterprise to use land, the greater will be the production of wealth. This is precisely what we would do by taxing Land Values.

How Taxation of Land Values would increase wealth.

We would make it more easy to use land by removing the fine which the would-be worker has now to pay before he is allowed to do so. That is to say, the power of the land monopolist would disappear. In this way would we lessen the private tribute which is now exacted before we are allowed to use land, that is

How it would destroy land monopoly.

before we are allowed to work. But more than that. We would at one blow get rid of the Land Speculator and make accessible to labour and enterprise much of the most valuable Land in our country, Land which till now we have been forbidden to use at all on any terms.

It is well known to all interested in the affairs of our growing towns and villages that a very large proportion of the Land in and around them is held out of use in the expectation that the growth of population, and the expenditure of the rate-payers on town improvement will at some future date secure to the owner a higher rent than he can command to-day.

The owner therefore does not permit the Land to be used. But all this time the Land is increasing in value because the population is growing and the Rate-payers' money (money too often wrung from those who can ill afford it) is being spent to improve the town in general, and therefore to increase the value of the vacant Land. The point, however, to be noted is that under the present system the owner of Land thus forcibly held idle is not asked to pay one single penny towards the rates. He does nothing, but grows wealthy through the confiscation of other people's earnings. As J. S. Mill said, "he is growing rich in his sleep."

How the Land Speculator is now Tax free.

Our present system of taxation does nothing to stimulate or encourage owners of Land to put it to the best use, or indeed to any use at all. One would have thought that under a wise system of taxation some inducement would be held out to owners to make their Land productive. But no! The very opposite is the case. For, let the owner withhold his Land from use and he goes tax free, but let him use the Land even to the smallest degree and the tax collector is promptly on his track, and the better the use he makes of it, the heavier the tax that he must pay. He is thus to-day actually invited to hold Land idle, and hereby do the greatest injury to a community which lies within the power of any man. For therein lies the difference between land and other things. A man may by his own labours

Our present system helps to keep land idle and therefore men idle.

produce a commodity and by not using it or allowing others to use it injure no one but himself (if others desire a like commodity they can make or buy it). But the man who holds up Land is in a very different category; for he denies to others *the very power to produce*. He denies them their birthright, the right to labour.

Our present system responsible for low wages, high rents, and overcrowding.

Every valuable site withheld from use adds to the congestion of an already overcrowded labour market, adds so many to the number of those already clamouring at the factory gate for work, adds to the army of the unemployed. Here is a site in the suburbs of a growing town, and a building society offers to take it from the owner for an annual rental in order to build houses, but he, knowing its value is rising through public expenditure (to which he himself contributes nothing) and knowing that he will be able to command a higher rental later on, refuses. Result, Land Famine, and therefore higher rents, underpaid and unemployed men. Architects, masons, joiners, plasterers, glaziers, and others who would be usefully employed if the Land could be got, are denied the right to work, and thrown back to compete with their fellows in an already overstocked labour market. The houses are not built, and men are thrown back to increase the overcrowding of already overcrowded districts. And still we wonder why wages are low and rents high, and why there are unemployed, and why there is overcrowding!

Examples of Land withheld from use.

Few of us realise to what extent this custom of holding up Land is in vogue; so here are two examples from numberless others that could be culled from any growing town.

In the Old City of Bradford, consisting of 10,776 acres, there are 4,512 acres of Land unbuilt upon. These 4,512 acres are estimated to be worth £3,821,644, but stand in the rate books at only £180,480, and thus escape their share of public burdens, while houses are correspondingly over-taxed. Under the new system therefore the rates would be enormously relieved, and in a way which would open up to industry and public improvement these idle acres.

In the immediate vicinity of Devonport, Land is let to farmers at £5 per acre and rated at £5, but now that the pressure of house famine and public opinion has become so great, it is being sold at £1,200 per acre (equal to a rent of £40), and the late owner escapes further contribution to the rates.

Well, the Taxation of Land Values would quickly put an end to this evil. As in so many other ways its effect would be exactly the opposite to that of our present system, for instead of making rent higher, it would make it lower, and instead of *depressing* wages, by increasing the number of those begging for leave to work, it would *raise* wages by increasing the demand for workers. These results would be attained simply by assessing all Land (whether used or not) at the price it would fetch in the open market and taxing the value thus ascertained, the effect being that, to find money to pay the tax, owners would be forced to make the best possible use of Land.

Owners could not afford to keep their lands even partially unused, so that the scandal of vacant land, side by side with unemployed men would disappear. A stop would be put to some holding more land than they can properly use, while others must perforce go idle because they can get none. "If you fence in land, you fence out men." The owner being thus obliged to bring the Land into use or else allow others to do so, a brisk demand for labour would arise. Where before we saw dull trade, many seeking in vain for work, and the wage level consequently low, we would now see booming trade, employers briskly competing with each other for workers and the wage level consequently high. The competition would be no longer for jobs to do, but for men to do them. Though the change proposed is but a simple change in the system of taxation, it touches a vital principle. We would have altered things from the very foundation upwards. We would have given play to natural law under which the demand for labour must of necessity be in excess of the supply, since there is no limit to our desires and it is only

Taxation of Land Values would raise wages and lower rent.

Less competition, better trade, higher wages.

through labour exercised on Land that our desires are ministered to. It is as if a train which for long had been travelling through some inhospitable and barren country were, by a simple shifting of the "points," made to take another route through smiling valleys and fertile plains. The action is so small that at the moment the passengers are unaware of any change, but its effect is far-reaching.

Market gardens and allotments.

To illustrate: Large farmers to-day pay a rent roughly speaking of 25s. per acre more or less, but let a small cultivator apply for an allotment or for a market garden and (if indeed he be so lucky as to get it at all) anything from £3 up to £12 per acre is demanded for the very same land. This few can pay. The result is that men are driven from the country into the towns to compete for work there, and depress wages which are already at or near the subsistence level.

Under the Taxation of Land Values, all Land for which such high rent is asked, when it is a question of allotments or market gardens, &c., would be assessed at that high figure. The effect would be that all owners of such Land would anxiously seek for occupiers, rents would fall owing to the competition thus set up among landlords for tenants, and men who before were driven from the country to compete for work in the towns would find themselves busily occupied on the Land in the way they ought to be, while those left in the towns, being no longer sufferers from an unnatural competition, would quickly find their wages on the rise.

Irish Cottars and Clyde Shipbuilders.

Or again, Westport is a typical rural district in Western Ireland. It contains 200,000 acres of cultivable Land of which only 15,000 acres are let to small cottars, *though there is a demand for much more.* The demand being greater than the supply which is thus artificially restricted, rents of £2 to £3 per acre can be exacted. An artificial land famine has been created. The remaining 185,000 acres are let to large graziers from England and Scotland at about £1 per acre. Note the result. The Cottars finding it difficult or impossible to make

ends meet after payment of this rack rent, cross the Channel in large numbers at harvest time to earn a few pounds wherewith to pay the Irish Landlord, and wages are on this side depressed by the unnatural competition.

It is recorded that a Clyde Shipbuilder was asked to raise his labourers' wages. "Yes," said he, "when you stop the Irish boats from coming over!"

In this way we see how the Land question is one question both in town and in country. A tax on Land Values would at once abolish Land Famine in Westport. Cottars there getting the Land they need at a fair rent, would not crowd across the Channel for work, and labourers in Clyde Shipyards would get a better wage.

Once more, without entering into the merits of the late dispute between Lord Penrhyn and his 3,000 quarrymen, let us see <sup>The Penrhyn Quarries.</sup> how the Taxation of Land Values would have helped to put the disputants on a level, and thus have given fair play to each. Under our present system Lord Penrhyn is only taxed so long as he is deriving a revenue from his quarry, so that when work was stopped he successfully applied to the Authorities for a remission of taxation. Thus, during the dispute, he was enabled to sit quiet without suffering any loss other than the loss of revenue through the cessation of other men's work. Meanwhile the 3000 quarrymen had either to seek for employment in the coal pits, and thus depress miners' wages, perambulate the country with their choirs seeking charity, or else starve. In the end, after years of untold suffering, Lord Penrhyn as a matter of course emerged victorious.

But under the Taxation of Land Values, Lord Penrhyn would have to pay the tax on the value of the quarry whether worked or not, so that while the quarrymen were suffering, he would be suffering too, and therefore much more amenable to compromise than when he flatly informed his men that his terms to them were surrender or idleness.

The new tax need only be heavy enough to make Lord

Pehrhyh quite as anxious to get men as men are to enter his employment, so that the quarry would not long lie idle.

These examples show how the new tax would effect two things. First, it would increase the production of wealth by inducing owners to put all Land to its most productive use and thus open up the natural resources of our country. Secondly, it would raise wages by reducing the competition among men for employment and increasing the competition among employers for men. We might not then be so anxious to squander life and treasure in "painting the map red", with a view to opening abroad fields of employment to our sons when we saw the splendid field of employment awaiting them *at home*. It is surely better to peacefully open the ample resources of our own country than forcibly to annex those of other peoples.

Under the new conditions employers would be as anxious to get men as men are to get employers; for the competition would no longer be for jobs to do, but for men to do them. The Taxation of Land Values would therefore not only increase the volume of wealth produced, but would bring about a juster distribution of it.

But it may be objected that we ought no more to tax Land Values than any other kind of value. Well, consider how Land Values arise, and let us see. Here are the Backwoods without a solitary settler. But at last one settler appears, clears off the brush and builds a shanty. A second settler comes, and he naturally elects to squat somewhere near the first rather than in some unknown district, because he has the advantage of the company and help of the first arrival.

The Land Value of the neighbourhood now begins to appear and is added to by every man who follows, till at last a town is formed in the centre of which the Land Value might be represented by covering the surface with sovereigns. This value has been created not only by the townspeople themselves, but by all those who have settled round about the town. Every addition to the population, every public improvement, and every advance in the

Foreign  
Adventure.

How Land  
Values arise.

sciences of production adds to it. It is therefore a value due to the very existence and energies of the whole population and therefore should be used for public purposes, that is, it should be taxed. Every member of the community has contributed to make this Land Value whether he lives in town or country, and all should therefore share it. The inhabitant of Skye has contributed his quota to the immense Land Value in the centre of Glasgow. The Taxation of Land Values would give him his share. Or put it in another way:—

Here are two plots of Land in the possession of two men and one plot is better than the other, so that *with the same labour* one man can earn £20 and the other £10. The difference of £10 is solely due to the excess of natural fertility possessed by the one plot. It is not due to the labour of either man. The ideally fair plan would therefore be the division of this £10 of excess between the two men, thus asserting in the only way equal rights to land. Let each get what his labour produces, viz, £10, but let them divide that which is due to the labour of neither—the other £10. Their wage would then be £15 each, and justice arrived at between man and man.

How their  
taxation  
would secure  
equal rights to  
land.

This is what the Taxation of Land Values would secure in a way at once simple, easy and fair, and would secure as surely in our complex civilisation of to-day with its countless trades and occupations as in the simple case imagined.

To sum up. The chief efforts resulting from imposing an adequate Tax on Land Values would be—

- 1st. The encouragement of Trade and enterprise by rendering them tax-free.
- 2nd. A break up of Land monopoly and consequent fall in rent.
- 3rd. A rise in wages due to the opening up of land and consequent lessening of competition for employment. This means a juster distribution of wealth.

One word in conclusion as to what is being done to realise this aim. In the House of commons this year a Bill for the

Example  
progress at  
Home and  
Abroad.

Taxation of Land Values was introduced by Mr Trevelyan and passed its second reading by a majority of 67 votes.

This Bill is promoted by over 200 local rating bodies in Great Britain, including such Corporations as The London County Council, the Corporations of Glasgow, Liverpool, Manchester, Bradford, &c.

The Taxation of Land Values to a small extent is already actually in force in over 120 towns and country districts in Germany, including such cities as Frankfort and Cologne, and is daily extending.

New Zealand has made a beginning with a small tax for National purposes, while some 60 Local Rating Authorities now take most of their revenue by a tax on Land Values. Mr J. R. Palmer, the Town Clerk of Wellington, the capital City of the Colony, in his annual Report 1902-3 to the Mayor and Councilors of the City, says; "The result of the first year's trial of "this system of rating must be considered a gratifying one and "leaves no room for regret at its adoption. That which was "claimed by its exponents has been amply fulfilled; it encourages "improvement, stimulates the use of land, secures the unearned "increment to those who have added the value, mulcts all Lands "in their fair share of taxation, and paralyses the old system "under which rental values on lands could, by simple manipu- "lation, reduce local taxation to a farce. It is to be hoped that "in the near future legislation will enable the unimproved system "to be adopted for all those purposes for which it is now "necessary to also undertake an assessment on the annual value "basis. It is only stating a fact to say that much, if not all, of "the activity in the building operations of the city and surround- "ings during the past year is due to the influence of this healthy "measure."

What the Taxation of Land Values has done for New Zealand it can do in even greater measure for every Industrial centre and Rating District.

WILLIAM R. LESTER.

*Postscript.*—The foregoing essay is but a sketch intended to stimulate interest and enquiry.

Those who wish to learn how the Land question lies at the root of every Social question, and how a proper measure of land reform would render all other reforms easy of accomplishment are referred to:

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