

# WHAT IS LAND VALUE TAXATION?

By W. R. LESTER, M.A.

THE OBJECT of Land Values Taxation is to end poverty and unemployment. When the principle comes to be fully applied it will remove the obstructions which now prevent production of the things that men desire and make it impossible for some to reap what others have sown. Land Values Taxation is based on equal liberty, equality of opportunity and justice: equal liberty to use the land and natural resources, equality of opportunity to gain a living and justice in the distribution of wealth.

Note well the comprehensive meaning of the word "land." It means *all* land in city or town or country, whether suitable for building or for farming or for mining or for any other purpose. And remember that it is absolutely necessary to distinguish firmly between land, the material element, and those things that are the results of human toil. Be clear also that what is proposed is not a tax on land according to its *area*, but a tax according to its *value*.

Other taxation would be abolished—namely the taxes that people are obliged to pay now on their houses, their earnings and on the food they eat, or the things they buy. The public revenue would be obtained by assessing for rates and taxes the rent or *value* of the land *alone*, apart from the value of anything added to it either by owner or occupier—such as houses, shops, factories, machinery farm improvements, crops, cultivation, &c. All these would be exempt from taxation

and from rates. By a perfectly simple alteration in the valuation of landed property, we would value each piece of land and impose taxation on that value. Everything else would be exempted, for until the needs of the revenue are greater than the land value of the whole country (a value truly belonging to the public) it would not be necessary for purposes of revenue, to tax or rate anything else.

Thus Land Value Taxation is a *substitute* for present rates and taxes levied on trade and industry; *it is not an addition to them*. Payable as it would be on the true market value of land, it would naturally be high where the land value is high and low where the land value is low. Also it would be payable by the land-owner whether the land is fully used, or is half used or is not used at all. The use or non-use of land does not affect the amount of the tax, since it is the value of the land *apart from the use it is put to* that counts. That being so, it would be impossible for any one to hold valuable land out of use and be exempt from rates and taxes as he is to-day.

### The First Step

It is the merit of this reform that it can be introduced progressively as public opinion may decide until we reach the full application of the principle. That full principle is the public appropriation of all economic rent (the value of land apart from all buildings, cultivation or other improvements) and corresponding relief of industry from taxation. A start having been made on these lines, it remains for the public to decide how quickly we shall advance towards the complete freeing of industry from taxation.

### The Existing System

Let us compare this with the existing system of raising public revenues, and examine the effect of each on personal liberty and social relationships. Under our present taxation and rating system, no distinction is drawn between land and labour products. The more

fully land is made use of (through cultivation, building, mining, &c.) the heavier becomes the load of taxation. Per contra, the more it is neglected or held up for speculation, no matter how valuable it may be, the more it escapes, till we reach the absurd and tragic situation that the owner of valuable and much-needed land has but to forbid its use altogether and he will escape scot free from any contribution to the public exchequer. Thus is offered a premium on land withholding and speculation, with its repercussions of land famine, high rents, overcrowded towns, unemployment, and a low wage level. A glance round any growing district will show how powerful is this inducement to withhold valuable land. Extension of railways to outskirts, improved main roads, or even the mere rumours of these things, stiffens the price asked for land, and withholding grows apace in view of the prospective rise and the inducement offered by exemption from rates so long as land remains unused.

### Root Cause of House Famine

But further evil is inherent in the present system of exacting rates and taxes only in measure as *use* is made of land instead of levying on the *market value*, whether the land is used or not. The burden which is thus made to fall on houses, shops, factories, good cultivation, and all other improvements checks the production of such things and raises the price that has to be paid for them. When we remember that rates vary from 10s. in the £ to 20s. in the £, and even more, and that the occupier must pay this burden, we begin to grasp at least one reason why houses are scarce, and rents are high, and why our industries suffer.

### Death of Land Speculation

Under the Land Values system, not only would this check to production be removed, but a powerful stimulus would take its place. Full use of land would be encouraged, speculation penalized, and the supply of land available for use at fair rent would be increased where now we artificially restrict it. For with rates and taxes

payable on land according to its market value, independently of the use it is put to, the speculative element is squeezed out, and it becomes a losing game to own land unless put to its best use, which means unless thrown open to labour and enterprise. With taxation applied on this principle, *no man or corporate body could afford to hold more land than he can put to its most productive use.*

### No one would hold Land except to use it

Land would be held for use only; and never merely for renting to others, *i.e.*, for levying toll on others for leave to work. Apply this principle, and the demand of many reformers that only those who use land shall be allowed to have it, will *automatically* be realized without legislative enforcement or regulation, and an endless vista opened out for small industry of every kind. The landlord (the private collector of economic rent) would vanish from the scene; for what sense would there be in acquiring land for renting to others, if that rent were taxed into the public purse?

Imagine the effect of the labour market, and, still more important, the new opportunities thrown open for employment of every kind.

### Taking Taxes off Industry

Turning to the relief of industry, we find that of the crushing burden of taxation now imposed on houses, factories, and every improvement, not a penny would remain if the principle were fully applied. Imagine how, in addition to cheapening land, this relief from taxation would affect the economic and social position; how it would stimulate production, increase the demand for labour and the opportunities for self-employment, mitigate or even abolish the housing difficulty. To attain these ends no experiments with new social systems are called for, no bureaucratic monster of State ownership and management; but simply the overthrow of obstructive land and taxation laws which now block the

way to common people who wish to gain a living in their own way, whether as free individuals working on their own, or grouped in voluntary co-operation with their fellows.

### True Reform

To rid ourselves of obstructions which stand between us and nature's storehouse should be the first aim of the reformer. After that much may remain to be done, but this is the first and greatest step to better things, and we may find that under the new conditions it will usher in, many a social problem which now looms large and threatening will be reduced to manageable dimensions, or disappear altogether. No social question is so important as Man's proper relationship to the earth on which he lives, moves, and has his being. Land Value Taxation applied in full puts this relationship on a basis of equity, because, under it, those who occupy positions of special advantage are called upon to pay to the whole people for that advantage, and then left free to earn their livings. Thus, without nationalizing the land itself, and without any bureaucratic control over the occupier, equal rights to use the land are secured through *nationalization of its rent.*

At first sight this may seem a small reform from which to expect such great results, but may it not be likened to the points on a railway track which can be so set as to turn the train either into a rich and delectable country or into a desert? To move the points is a small thing in itself, but on that simple movement depends all that will happen to the train and its passengers on their journey.

### How Land differs from Capital

Critics are fond of describing land and its rent as merely a "form of capital," and ask why any particular "form of capital" should be singled out for taxation. To do so, they tell us, would be an outrage. Well, let us examine this "form of capital"—economic rent—which taxation of land values would, as quickly as

expedience allows, turn into the public treasury in lieu of the taxes which now oppress industry.

Land Value or economic rent is recognized by every progressive thinker as the *communal fund par excellence*, because it is not the product of any individual or group of individuals, but arises and is maintained from day to day by the presence and activities of the whole community. It comes into being with the community, grows with the community and disappears with the community. It depends on the standard of civilization, rising as it rises and falling as it falls. As the arts, sciences, and powers of production rise or fall, so does land value. As the efficiency of public services grows so does land value. Contrast all this with labour products, and it will be found that the very opposite is the tendency. The value of land rises as powers of production increase; the value of labour products falls. Since land value rises with the usefulness of public services, we here discover an automatic register of the benefit conferred by those services which is to be found nowhere else. That benefit is expressed with wonderful exactitude in the value of land apart from improvements. Every municipal or national service finds its reflection in the value of land: as witness the effect of roads, sanitation, lighting, public security, and the impartial administration of justice. In measure as these improve or decline, so does the value of land rise or fall. *Every useful public service calls forth the wherewithal to pay for itself in the land value it creates.* Thus every useful public service could be made self-supporting under a just system of taxation.

### Taxation according to Benefits Received

For the community to take this common fund and devote it to the common good would take not a penny from the earnings of any man. Land value or economic rent is therefore the just and scientific measure of what each citizen should contribute to the support of public services. Contribution according to benefits received is

the correct principle of taxation, just as those who occupy the best seats at the show are expected to pay most for them. Under the present system what each man pays towards the public services bears little or no relationship to the benefits he receives from them.

### Why Land Value is the Community's Natural Revenue

Here, then, in the value of land, we find a fund eminently fitted, and seemingly, by its very nature, intended to be used for communal services. In this respect it stands unique; and to play with words in describing it merely as one of many "forms of capital," so as to confound it with labour products, is proof either of ignorance or of deliberate attempt to darken counsel.

As is the case with most fundamental reforms, the remoter implications of thorough Land Value Taxation are perhaps more important than its immediate results. It has been indicated how it would affect the housing scandal by relieving houses from the burden of rates, and throwing open new opportunities to building enterprise.

### Root Cause of Unemployment

Equally important is its effect on employment. In the last analysis there is but one way in which men find employment, and that is by the application of their labour to the raw materials of the earth, which are all embraced in the term "land."

As Sir William Petty put it: "Labour is the father and land the mother of all wealth." It follows that just in so far as we allow barriers to stand between labour and land, work becomes scarce, unemployment becomes general, and wages fall because of the unnatural competition of unemployed men. Conversely, it follows that just in so far as obstructions are removed and access to nature's workshop becomes easy, work comes as a matter of course, self-employment becomes easy, and distribution of wealth becomes fair.

The present system of taxation, by encouraging non-

use of valuable land (through its exemption from taxation when unused) and heaping the load on those who make proper use of their opportunities, provides a most formidable barrier between the would-be worker and the source of all wealth. The true remedy is not to build new experimental social orders, but to remove those obstructions which prevent the system we have from working properly. When, *under free conditions*, that system is found to fail, it will be time to try another. The remedy for wrong is to cease the wrongdoing.

### Pull down the Barriers

This removal of barriers against equal freedom to use the earth is the meaning of the reform here advocated; for, under it, all natural resources would be thrown open on fair terms to those who wish to earn their living in their own way, and the fruits of their toil would be free from the exactions of the State.

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