WILEY

On the Incidence of Local Taxation

Author(s): James E. Thorold Rogers

Source: *Journal of the Statistical Society of London*, Vol. 33, No. 2 (Jun., 1870), pp. 243-263

Published by: Wiley for the Royal Statistical Society

Stable URL: <http://www.jstor.org/stable/2338716>

Accessed: 27-06-2016 05:37 UTC

Your use of the JSTOR archive indicates your acceptance of the Terms & Conditions of Use, available at

<http://about.jstor.org/terms>

JSTOR is a not-for-profit service that helps scholars, researchers, and students discover, use, and build upon a wide range of content in a trusted digital archive. We use information technology and tools to increase productivity and facilitate new forms of scholarship. For more information about JSTOR, please contact support@jstor.org.

Wiley, Royal Statistical Society are collaborating with JSTOR to digitize, preserve and extend access to *Journal of the Statistical Society of London*

On the INCIDENCE of LOCAL TAXATION.

By PROFESSOR JAMES E. THOROLD ROGERS, M.A.

[Read before the Statistical Society, May, 1870.]

CONTENTS:

	PAGE		PAGE
I.—The Paper.....	243	APPENDIX.—Local Rates, 1864-69	258

I.—*The Paper.*

LOCAL taxation (by which I understand the levy of certain rates on the occupiers or owners of real estate, with the object of meeting the costs of certain branches of public expenditure) has become by reason of its magnitude, its rapid increase, and the facility which it offers for carrying out any project of legislation, the ends of which can only be attained by increasing the public burdens, a matter of great present interest. They who advocate any such change or reform as involves expense, always suggest either that the costs should be defrayed from the rates, or should be put on the consolidated fund. As, however, it is supposed that the administration of these charges is most economically conducted when the representatives of the ratepayers impose the tax, the balance of opinion is rather in favour of raising these charges by local taxation. It is probable that there is no small reason for this opinion. An elected board of administrators is constantly charged with niggardliness, very rarely with profuseness. The heads of Government departments are very seldom accused of stinginess or even economy, but the complaint of excessive and wasteful expenditure is frequently raised against them. Local rates, too, are criticised with tolerable severity; imperial taxation, which till latterly has grown as rapidly as local, is endured with patience, and attempts to reduce it are frequently unpopular. The taxation, too, which is levied locally is direct; and however true it may be in the abstract, that a taxpayer contributes as effectually, whether he pays 25 per cent. on the value of his tea and sugar, or is rated to the tenement which he occupies in an equal amount, he is certainly more sensitive to the latter than he is to the former, and therefore is more likely to claim value received for the contribution which he makes.

The question of local taxation is resolved into three topics—its amount, its incidence, and its compensations. I purpose to devote the greater part of this paper to the second of these subjects, but

it will be impossible to omit reference to the third. It is possible that a local tax may be nothing but a compulsory investment of capital, and that the investment may return a handsome interest to the contributor. It is possible that a local tax may be only an indirect means of distributing, with greater or less equity, a proportion of those business expenses which are necessary towards carrying on any industrial undertaking, and that the form which the tax takes may be one by which those expenses are materially lightened. It may even shift them on the shoulders of those who do not share in any of the profits obtained by the industry which has been undertaken. It is possible that, in consideration of real or presumed charges of an exceptional nature, levied on the owners or occupiers of real estate, certain exemptions or privileges are granted to such owners or occupiers which not only make up for what is really exceptional, but actually confer certain solid advantages on those who, unconsciously no doubt, have clamoured that they are liable to peculiar burdens which do not exist, and therefore obtain peculiar compensations, which they certainly ought not to have. It will not, I think, be difficult in the course of this paper to illustrate these cases.

According to a Parliamentary paper (compiled at the instance of Mr. Ward Hunt, the totals of which are comprised in a paper read by Mr. Purdy before Section F at the Exeter Meeting of the British Association, and printed in the Transactions of this Society), the amount of local taxation in England and Wales raised in rateable areas is given at 16,733,000*l*.* By far the greatest part of these taxes, whatever their ultimate incidence may be, is paid in the first instance by the occupier. In Scotland and Ireland, on the other hand, the local taxes are for the most part paid in equal moieties by the owner and the occupier. We shall, I hope, see in the course of this paper that this distinction is not unimportant.

Of this local taxation rather less than one-half is expended in the relief of the poor. The amount of this tax is, unfortunately, increasing with great rapidity. It is not, I think, difficult to discover the economical causes which give rise to this unsatisfactory phenomenon, but they are out of place in the present paper. It is sufficient to say that between the years 1865 and 1868, the rise in the poor rate proper is nearly 17 per cent., and that a similar increase has taken place in that portion of the local revenue which is put for the most part into the hands of the magistrates, and who are, as far as any persons can be in this country, irresponsible.

Of the remainder, part is the cost of making and repairing

* Taxation on the traffic of persons and things, tolls, harbour and light dues, are not included. The amount 16,733,000*l*. is levied on the occupation of what is technically called "real property."

roads, of draining towns, and even of preventing land from becoming valueless for human use, of supplying police, water, and light, and a variety of other purposes which are relevant to the enjoyment of property and the safety of society. In the case of some among these, it is a mere abuse of words to call the rate a tax, since it is not infrequently a mere outlay of capital for some common purpose, which can be collected and distributed with greater equity by the machinery of a rate, than it could be by the voluntary expenditure of an intelligent self-interest. As a person who makes and repairs a private road for his own profit or pleasure, pays for the advantage from his own resources, so he does, or should, contribute to the cost of a public road in proportion as he is interested at least in the former of these ends. Whether, in fact, all charges needed for these forms of beneficial outlay are derived from the contributions of those who receive the benefit, is a question. But I shall attempt to deal with this question further on.

There is no portion of political economy which is more difficult to expound than the incidence of certain taxes. On the other hand, nothing is more easy and obvious than the incidence of others. For example, a tax on legacies falls, beyond shadow of doubt, on a legatee, and on no one else. So again, a tax on ground-rents will certainly fall on the owner of that portion of the soil which the necessities of society abstract from agriculture. A land tax, *i.e.*, a tax on rents or on that portion of income which, in the case of a person who is simultaneously owner and occupier, represents interest on the purchase of land, or, to be more accurate, on the *present selling value of land*, falls with equal certainty on the landowner. And, similarly, a tax levied on any source of income which is spontaneous, by which I mean which is derived by the operation of economical laws in consideration of the use of some object of value, this object being limited in quantity, will fall on the possessor of that object. This rule applies directly and obviously to a tax on land. It would apply equally to a tax on dividends from the public funds, if it be assumed that these funds are a fixed quantity. If we further assume that the demand for investment in these funds is constant, a diminution in the quantity of the fund would tend to the disadvantage of the person who purchases them, because, in addition to the tax, he would have to bear the loss of higher prices for his security; while an increase in the quantity would be advantageous to him, and might enable such a purchaser to recover his tax by cheapening the security which he purchases.

Thus much, however, may be laid down respecting the incidence of taxation. Taxes levied equally on profits, tend to remain with those who receive profits, and have been generally held to affect

such persons and such persons only, since it is believed they cannot be shifted to others. Taxes which are levied on rents, and paid by the recipients of rents, cannot be transferred by any act of the receiver of rents to others. Taxes levied on consumption are paid, as a rule, by those who consume products, though they may be in part transferred to the producer, by reason of diminished use on the part of the consumer. Taxes on occupancy, when the tax is not part of the cost incurred in carrying out any industry, tend, like taxes on profit and rent, to remain on the occupier.

Land possesses the characteristics of being a fixed quantity, the demand for which is constant, and as the industrial forces of society increase, which increases in value, because it may be made the means for developing new industries, and for increasing the productiveness of old ones. For example, geological and chemical discoveries may make an iron field, which was previously unproductive, enormously valuable; and, similarly, the improvement of the art of agriculture may add fertility, previously unknown, to the soil which is occupied for such purposes. Fifty years ago the South Wales coal and iron fields were comparatively valueless. At the same date English agriculture did not return much more than half its present produce. Now a tax on the rent of such coal fields and such agricultural land, would fall beyond doubt on the person who receives the rent of such land, and might be extended so as to absorb all rent, without in the least degree diminishing the profits of capital and the wages of labour. Hence, if all the local taxation levied in this country were put directly on rent, if the landowner or possessor of ground-rent were visited by the tax collector, or the occupier were legally enabled to deduct these taxes from his rent, as he deducts his landlord's income tax, real property would uncontestedly bear the burden which, as I shall attempt to show, it is erroneously supposed to bear now.

There is, however, one fundamental rule in all taxation, which it is necessary to premise before it is possible to analyse the incidence of taxation. A person who cannot save cannot, whatever be the attitude which he occupies, be made liable to a tax. He may possess and occupy a portion of the most fertile soil conceivable, and he may exercise the highest skill upon it, but unless the earnings of his labour exceed the cost of his maintenance, he can contribute nothing to the exchequer. He may exhibit the highest art in some costly product of industry, but unless the earnings of his labour exceed the charges of his labour, he cannot be taxed. It is very difficult to tax a Hindoo ryot, and I presume it is equally difficult to tax the peasant manufacturer of a cashmere shawl. Mr. Mill has said that it is not expedient to tax savings. I answer that, with the exception of legacies, it is impossible to tax anything

else. And what applies to a tax applies to rent, which is, in fact, nothing but a tax leviable by the operation of natural causes.

This rent will be payable partly in consideration of the demand which the owner of the soil can put on the necessities of those who must inhabit a particular locality, partly in consideration of the profit which may be made from any industry for the exercise of which the occupation of land is an antecedent condition. The fact that so much is paid annually out of the profits of industry in the metropolis in the form of local taxation, does not determine the ground-rent of a site in an important London thoroughfare, to any greater extent than it determines the rate of discount on commercial bills. It does not follow if every penny of taxation, local and imperial, which is levied on the occupiers in London were remitted, that the value of ground-rents would rise. It does not follow if 50 per cent. of local taxation were added to the existing burdens of the metropolis, that the price of ground-rents would fall. It does not follow if the whole of the local taxation now paid by the occupier were paid by the owner of the soil, that the price of ground-rents would be notably enhanced. If on a particular site the tax was remitted, that site would, no doubt, become more valuable, but if the tax were universally distributed, and distributed rateably, its universal imposition or its universal remission need not disturb the market value of such sites. The fact is, the rent of land is determined by one set of causes, the incidence of taxation by another set.

In general, however, it is assumed that a tax on occupancy is a tax indirectly paid by the owner of the locality occupied, that local taxation is a burden on land or real property, and that though the tax is seemingly paid by the tenant, it is really paid by the landowner. Thus I see that my friend Mr. Purdy says, in the paper to which I have already referred, that "in the British fiscal system, "real property suffers an exceptional liability to taxation." Sir George Lewis "has no doubt that local rates fall on the owner." Mr. Dudley Baxter is of opinion "that three-fourths of these rates "do." If this be true, there is an obvious propriety in giving legal power to the tenant to deduct his local taxes from the rent he pays in all cases, and in leaving him to make a fresh arrangement with his landlord under these altered circumstances. I very much doubt whether the landowners would quietly acquiesce in this arrangement. However much they may assert and believe that local taxation is a burden on real property, they would not, I think be gratified at the prospect of such a change in the method of collection.

The idea that such taxes as are collected on a valuation of property, are really a tax on the owners of such property, and are only temporarily paid by the occupiers, is as old as the science of poli-

tical economy. It was entertained, as we learn from Adam Smith, by those Economists whom he lauds so highly. "All taxes, they pretend," says the philosopher, "fall ultimately on the rent of land, and ought, therefore, to be imposed equally on the fund which must finally pay them." Of course this theory carries with it its own refutation. Unless the transference of all taxation to the rent of land were followed immediately by a prodigious increase of all rents, it is manifest that they who do not own land really pay taxes, for the taxation of this country, imperial and local, is more than double the rental under Schedule B, and not much less than the rateable value of all property which is assessed for the relief of the poor.

The use of the words "real property" is wholly arbitrary. In the days when the distinction between it and personal estate was first made, that item of real property which consists of buildings was too unimportant and of too little value to claim a separate title. But, of course, at present, a house is an investment of fixed capital, and is analogous to any other kind of similar investment, as for example, machinery. The rent of a house, when the ground is distinguished from the building rent, is merely interest on capital, and ought to be put in the same classification. And it may be here observed, that at the time when the distinction was made, personal was much more valuable than real estate.

Separating, then, the rent of the building from that of the site, the person who occupies a site for his dwelling and business, or who rents land for agricultural purposes, does so in the impression that the profit which he makes on his calling will enable him to pay the rent for which he contracts. The pressure of a local tax affects him in just the same way that an imperial tax does. Take it off, and it does not follow that his rent will rise. Increase it, and it does not follow that his rent will fall. In what way will an additional 6*d.* in the pound of poor rate, equally distributed, affect house rent more than an additional 2*d.* in the pound income tax? Does anybody imagine that rents will rise because half the sugar duties are remitted? It is true that the tax, local or imperial, may be so excessive as to trench seriously on occupier's profits, *i.e.*, to diminish his savings or his enjoyments, but as long as the tax is levied all round and levied equally, it will not be transferred from the person who pays it to any one else, and if it be levied unequally, the only portion of the tax on which the landowner can, so to speak, operate with a view to raising his rent, or must consider under certain circumstances, and thereby suffer a fall, is that part which is less or more than the average.

People, in treating this question, are constantly influenced by the fact, that when a house or farm is let, the question, What are the

rates ? is always put. But this question does not refer to average, but to exceptional rates, is relevant to the person's power of renting, not to the fact of his paying the rates. The pressure of average rates may perhaps constrain persons who get or anticipate a definite amount of profits or wages, to occupy a less convenient house than they otherwise would, and so, as far as the better class of houses go, lower their value, while they enhance that of inferior accommodation by competition. Similarly, though in less degree, the pressure of average rates may not lower the rent of farms, since, unless *the rate is all loss to the farmer*, that surplus of value over and above cost, from which rent arises, may be available under the pressure of competition for an increase in the rate of rent. But it will be diminished only under the condition to which I have referred, that the rate is loss, for rents will fall only because the rate of agricultural profit is lower than that at which, *ceteris paribus*, capital could be employed in other industrial occupations. I shall take occasion hereafter to show that agricultural rates are for the most part anything but loss.

Here, too, I may observe, that apart from those conditions which render the transference of an average quantity of taxation on occupancy from the occupier to the landowner a matter of difficulty if not of impossibility, the latter is put in possession of another power which he can use against the occupier. As a rule, the determination of an occupancy is always a greater loss to the occupier than it can be to the owner. In shops the owner can exact a higher price for the holding, because the occupier has made the business site valuable; and, I may add, he often does so. In houses, the transference of furniture, &c., from one place to another, constantly entails loss very much in excess of any ordinary increase of local rates. Nor can a farmer, however skilful, intelligent, and wary he be, extricate his capital from his holding without a mulct. These facts appear in Ireland under an exaggerated form, and have, beyond question, developed and intensified that claim for an occupancy right which is probably destined to have a legal sanction ere long. They are not less real in Great Britain, and may hereafter create a similar clamour for protection and compensation. Now, if the attitude in which a tenant stands to his landlord in respect of the enhancement of rent is of this character, still more certain is it that the situation is likely to force him into the endurance of that increase of local taxation which is supposed, but erroneously, to necessarily fall on real estate, and which, if local taxation were raised by a uniform and national rate, would be found to fall exclusively on the occupier, or at least to affect the owner only in so far as it disables the occupier for competing for a better site. I do not of course forget that the local taxation levied on the agriculturist will be shared by

the landowner in so far as the tax is a loss, and as it diminishes his rate of profit below the average obtained in other analogous callings. But I have already given this caution.

I am, therefore, led to the following conclusions. That in the ordinary class of occupations, that is, of houses, rates are paid virtually by the occupier and not by the owner, just as a house-tax is. That they do not in these cases constitute any burden on real estate, but are a burden on industry. That the owner is enabled, partly by the increasing competition for occupations, and partly by the power he has of inflicting loss by determining occupancy, to force the payment of increased rates on the occupier. That in case the pressure of local taxation constrains the occupier to content himself with inferior accommodation, the competition price of the poorer class of habitations is enhanced. That the only colour for the impression that local taxation is paid by real estate lies in the fact, that an excess of local taxation over the average lowers rent, and a diminution heightens it. That if a uniform rate of local taxation was instituted over the country, *i.e.*, if the poor and other rates were national and on a national assessment, the same amount in the pound on all occupancy being enacted from all occupiers, local taxation would be found to conform in all particulars of incidence to imperial.

I am now, however, led to consider local taxation as levied on occupiers of agricultural land. Here, at first sight, the power of transferring the tax from the occupier to the owner seems much more obvious, for land is here used as an instrument of profit, and the inequality of rates is more apparent. But the transference is more superficial than real. In so far as local taxation diminishes the profit of the occupier in towns, it is, under the law that the tendency of profits is to an equality, equally endured by the farmer. In so far as local taxation in his case is no loss, but an economy, he does not properly pay a tax. In so far as he can thrust a portion of this taxation on others, he does not pay it. He does not, to be sure, profit by it, since for the obvious and natural reasons that profits tend to an equality, both economy and transference appear in the increase of the landowner's rent.

The heaviest item in a farmer's local taxation is the poor rate. Economically considered, a poor rate is an insurance of the labourer's life and health. It does for him what those who are above the condition of pauperism do for themselves, maintains him in childhood and old age, assists him in sickness, protects him when labouring under mental disease, and supplies him with the services of a highly-skilled person in the shape of a medical officer. Now it is plain that, at the existing rate of agricultural wages, the farm labourer, and to some extent the artisan, could hardly supply

these services for himself. Cut away poor law relief, and one of two things must happen. Either the labourer must be better paid, that is, the cost of his labour must be enhanced, or a considerable number of those who are habitually maintained by the poor rate must perish. A poor rate, then, is a rate in aid of wages, under which wages are supplemented, and, therefore, the prime cost of labour is diminished. The poor rate, then, is not wholly loss. It cheapens labour, and so increases rent. Take it away, and a considerable portion of that which the landowners might receive in the shape of an increased rent, due to a diminished outlay for the maintenance of the poor, would be re-assumed by the farmer in consequence of the exalted cost at which labour would be procurable. It is a notorious fact, that where wages are low, poor rates are high, and, I may add, rents very slowly progressive.

Now I am ready to admit that some portion of poor rate expenditure is sheer loss. It appears to be so in the case of infirm paupers. It is so in that of lunatics. In the former case, it is true, from my hypothesis, which cannot, I think, be gainsayed, that the maintenance in old age is a part compensation for cheap labour in youth, just as the maintenance of pauper children is a guarantee of cheap labour hereafter. Of this, at least, I am sure; if the poor rates were abolished to-morrow, and the existing disabled or infant poor left to starve or be supported by voluntary effort, the enhancement in the cost of wages would very speedily equal the amount now levied for the relief of the poor.

The farmer, then, employs labour beneficially, that is, with a view to profit. His profit, for economical reasons, is shared by the landowner. In order to do this to the best advantage, he insures the labourer's life and health, and he gets him cheaply by the process.

But he only pays a portion of the insurance. They who do not employ labour beneficially, who could not obtain the reduction of a farthing per cent. in the price of farm produce if the wages of labour were reduced to one-half their present average, and were supplemented by the poor rate, under an allowance system, contribute largely to the insurance fund of which I speak. The occupiers or houses whose callings or professions do not add 1 per cent. to pauperism, pay more than half the charge. I make no doubt that the landowner gains a vast increase to his rent by the fact that the poor rate is levied on all occupiers, while the profit of cheap labour is to the ultimate benefit of the landowners only. The poor rate in country towns is, in fact, a house-tax, levied to a very large extent for the advantage of landlords, who obtain the boon in the shape of cheap labour in agriculture.

I never have been able to find a case made out against the poor

rate from the point of view that it falls on a special class, except in the fact that it is mulcted of a small sum for registration. But as the towns pay poor rates as well as the rural districts, and pay as a rule for hosts of agricultural labourers within them; as their contribution is high and the registration costs are small, I do not think that any very serious loss would accrue to the nation, or any great gain to the landowners, if the costs of registration were paid out of the consolidated fund.

Next in character, and still more markedly a beneficial outlay, is the cost for making and repairing roads. The aggregate charge for this purpose appears to be over 1,400,000*l.*, the principal items being the highway rates, levied under Acts of 1862 and 1864, and that under 27 and 28 Vict. (See Table E, Appendix.) These are supplemented by rather more than 900,000*l.* raised by tolls (Tables O and P Appendix).

Now, a road is as essential to the carriage of agricultural produce as a waggon and horses are, and a good road is as advantageous to the landowner as a well-built waggon and well-fed horses are superior to a rickety waggon and a starved team. To reckon the cost of making and repairing roads as part of the burdens on land, is as preposterous as it would be to calculate draining tiles and farm buildings as a peculiar impost. Roads are an essential of production and exchange, and while they are a convenience to every one, they are an absolute necessity to the farmer; while good roads are a far greater economy to the man who has to carry heavy produce, than they are to those whose use of the road is voluntary, and whose wear of the road is slight. But it is hardly necessary to insist on this.

In general,—the exceptions are very rare,—the inhabitants of towns keep their own roads in repair. For example, in the city in which I live, the ratepayers keep twenty-seven miles in repair, a quantity which equals all the roads entering into the town for about four miles round. In other words we confer on those who use our roads for the whole distance which they traverse, a free way. But the case is very different when we who abide in the town make use of the country roads. They bristle with toll-gates (there are eight such in the area referred to), generally placed in such situations as to catch town traffic, which is ordinarily of a very light description, while the parts of the road intermediate to the toll-gates are constantly used without charge, for the conveyance of farm-yard manure and timber, operations carried on at the time when such heavy carriage is more than ordinarily destructive to the roads. I do not deny that when a particular parish is intersected by many and costly roads, that the levy of a rate for the complete repair of these roads might be a wrong to such a parish.

This, indeed, may be remedied by extending the rateable area so as to effect an equitable distribution; but I am quite certain that a very notable amount of the costs and charges of keeping many roads, chiefly used for agricultural and similar purposes, in repair, falls far more heavily on the inhabitants of towns than it does on those who live in country places, and that, in fact, so far are highway rates from being a burden on land, they are a necessary part of the process of agriculture, some of the costs of which are thrust on those to whom the road is only indirectly a necessity, and never a source of profit.

Carrying out the principle that taxes levied on occupiers are generally paid by occupiers, it is true indeed that county rates levied for the purposes of police and justice are a burden and a loss. They must be endured, indeed, and they are endured with tolerable patience by the class which really pays them. Now and then remonstrances are heard that the county police are to a considerable extent occupied as gamekeepers, and that in all likelihood the excessive provision for a peculiar amusement is a direct stimulant to crime. I remember some time ago to have heard an instance—and it is probably no rare one—in which the demand for the material of battue shooting was calling into existence a class of men who “collected,” or, as Pistol says, “conveyed” live pheasants on a large scale to those places where shooting by wholesale is carried on. These people are looked after, how efficiently I don’t know, by the rural and town police.

It is not easy to find words which, without giving offence, will characterise that piece of legislation which constrained the occupier to pay for the losses of the cattle plague. In common equity, the rate should have been levied on those whose cattle survived, and whose stock was vastly increased in value by the losses of others, as well as protected by the machinery adopted under the Act. As it was, the loss was paid by the occupier, who was mulcted twice, once by the scarcity of the animal visited by the murrain, secondly, by the incidence of that remarkable, and let us hope unique, act of parliamentary taxation.

The remainder of local taxation is chiefly levied in towns. Lighting, paving, sewer, and police rates, are paid by the occupier, and ought to be so paid. They are part of the general machinery by which industry is carried on and protected. A landowner no more pays the lighting and police rate of the town in which his property is situate, unless he occupies the property himself, than he pays for the gas which the occupier burns in his shop or dining-room, or for the service he hires in his counting or dwelling-house, unless indeed we are to hold with the French Economists, that every tax is a landlord’s loss.

It is not rarely, however, the case, that certain local rates, levied for permanent improvements, and distributed over a term of years, are paid by the tenant against himself, since the investment of his taxes forms a fund by which rents may be raised hereafter. Thus, for example, the occupiers of the city of Oxford are invited to expend a large sum (it has been calculated at 100,000*l.*) on the permanent draining of the city. As seven-tenths of the land within the municipal borough belongs to corporations, and as the tax, if it be imposed, will assuredly be levied on the occupiers, the greater part of this outlay will ultimately be handed over, at the cost of the ratepayers, to those splendid inutilities, the Oxford colleges, in just the same way as if a farmer were constrained, at his own cost, to drain his landlord's land, he would, under the operation of that system of "free contracts," which is said to be characteristic of English tenancies, ultimately pay rent on his own outlay. The same city has latterly built a gigantic workhouse, for which, of course, the ratepayers have to find the money, while the principal owners of ground-rents pay absolutely nothing, and find the price of their property exalted.

No reason has yet been alleged which will countenance the fancy that local taxation is not a burden on industry, but is a burden on real estate. The rent of agricultural land is settled by the cost of agricultural produce, corrected by the demand for such produce, rent being the difference between the cost of the produce, plus the farmer's profit, and the value of the produce. The rent of houses is determined by the competition for sites, and by the rate of profit on a building investment. Local taxation, great or small, has nothing to do with the rents, except in so far as it causes unequal profits. Nay, it is even possible that the increase of local taxation may heighten rents, by forcing a sharper competition for the means of life, by constraining a longer and more arduous attention to business, and by making the tenant more immovable, and therefore more in the power of one of the parties who is able to effect what is called a free contract. And, in brief, if it be the case that local taxation is a burden on real estate, the fairest, the safest, and the most economical means by which the tax could be collected, would be to empower the tenant—as in the case of income tax—to deduct—any contract to the contrary being void—his payments from his rent.

Almost every fallacy in practice has a basis of truth, and the facts which lie at the bottom of this delusion, that a local tax is a tax on real property, are the truths that the successful cultivation of the soil is the measure of population and all other industry; that all industry needs a *locus standi*, which, as land is appropriated, must be paid for, and that whatever value may be induced

by industry on material objects, those objects are, directly or indirectly, obtained from the soil. Hence, whatever can be enjoyed must be obtained from the natural fertility of the earth, or under a licence to practise the industry by which value is added to natural products. Now it is plain that to diminish a man's power of expenditure by taxation is to diminish his power of purchasing those products; to increase his power is to increase his purchases. But he may purchase what is produced in foreign countries, and so enhance the value of land in those regions; and even if his purchases under this extended power were limited to his own country, imperial taxation would have just the same effect on him that local has.

The idea, however, that local taxation presses severely on real estate has led to the concession of certain compensations, which, being partial in their grant, are a real benefit to landowners. I will not refer to past legislation, the purpose of which was sufficiently notorious, but simply comment on existing exemptions. To take the former would be to travel over the whole of legislation from the days of the first labour law, and the first corn law, down to the equalisation of the fire insurance duty by its total abolition. Nor do I refer to the contrast between the direct taxation levied on land in this country and that which holds in other civilised communities, where the rent of land is made to contribute largely to public burdens, and to contribute immediately to them. In England, the land tax, instead of having its proportion to rent determined in accordance with the principle of its first imposition, has been stationary for a century and three quarters, the assessment never having been revised.

The most notable among the concessions made to the possessor of real estate devised as realty, is the exemption of his estate from probate duty, its estimate for succession tax on principles totally distinct from those which govern the devise of personal estate, and thereby its signally gentle usage from the tax gatherer as compared with that accorded to personal estate, and the delay allowed to those who have to pay this reduced quota from real estate. I have no means of estimating what the value of the difference is, or what would be the gain to the exchequer if realty were taxed at the same rate as personalty. But there is, I believe, no defence for this difference, except it be the statement studiously circulated, and, I make no doubt, honestly believed, that local taxation is a burden on real property.

Another singular advantage which is possessed by the landowner, is the power of obtaining advances from Government for the permanent improvement of his estate. What the amount of this gratuity is (for as it is obtained at lower rates than it could be

had in the open market, it is a gratuity) I am not able to discover. But I have been told by those who have taken advantage of these grants, that landowners are constantly able by the instant rise in the rent of such land as has been improved, to repay principal and interest without the cost of a single penny to themselves. I know no better reason for those loans than could be given for an advance to persons who build houses, or for advances of Government paper on the security of stocks in times of panic, or a contracted money market, to a merchant.

The custom of primogeniture, and the power of strict settlement, are indirectly to the advantage of landowners, because they restrict the operation of these natural causes which could bring land into the market, and so effect a monopoly price for occupation. This limitation on alienation, which needs a defence in every kind of property, needs a still stronger defence in the case of land, the quantity of which is strictly limited, and the use of which is absolutely necessary.

Under the influence, I imagine, of the same delusion, that "real estate" is exceptionally burdened, the rent of the landlord is, by the English law of distress and the Scotch of hypothec, made a secured debt against other creditors. To comment on the injustice of this provision of law would occupy too much time; but it may be said that there is no evidence that this custom is of any benefit to the tenant, but there is abundant evidence that it is a flagrant wrong to other creditors, and not infrequently to innocent parties, whose property is in danger of confiscation in order to satisfy the landlord's claim in full.

It is alleged that the conveyance of land is surrounded with intolerable expenses. One of these expenses is a tax on deeds of conveyance. Unless I am misinformed, the same tax is levied on transfers of railway and similar stock. But the greater part of these expenses is due to sheer vanity, to the desire on the part of landowners to create, as far as possible, a perpetual estate, and to the preposterous rules of law maintained in the interests of landowners, which constrain an innocent purchaser to suffer a total loss if his title turns out bad, and which extends the right of action for real estate beyond all reasonable limits. No small portion too of these charges is due to the persistence with which landowners resist the general registration of deeds, no doubt in order to prevent the public from knowing how small an amount of the income of real estate remains to the nominal owner when the claims of mortgagees are satisfied.

There are certain other exemptions which, affecting the costs of agriculture favourably, enure, according to the provisions which have been already laid down, to the possessor of landed estate. Of

those which still remain, one of the most notable is the exemption of horses employed in farm labour from duty or licence. A duty on horses is, I think, a bad tax, but why a brewer's, or carrier's, or stable keeper's, should be made liable to tax, and a farmer's should not be liable, is unintelligible to me. The exemption cannot be based on principles of equity; but it must have been conceded, either from some obscure conceptions as to the paramount utility of agriculture, and therefore an obligation that it should be encouraged, or from the idea that land is liable to peculiar burdens.

Mr. Dudley Baxter objects that the land tax, the most real of these burdens, has been described by some economists, and particularly by Mr. Mill, as a rent-charge rather than a tax. Now the only difference between a rent and a tax consists in the fact, that the former is the result of a natural, the latter of municipal, law. But a fixed charge on rent, based on an ancient and unchanged assessment, is nothing but a small payment of the natural increase which has raised the present rent of land ten times since the land tax was first imposed. Antiquity of title will not in itself vary the nature of an impost, and a tithe rent-charge is as much a tax as a land tax is. What, however, induces persons to use a different set of phrases about these deductions from rent, from those which they would employ about an income tax, is, that they are really a partition of rent between landowner, State, and tithe owner, with this difference, that the landowner's advantage increases, while that of the other two is stationary.

The general conclusion, therefore, which I gather from the survey of this subject, is, that a large portion of so-called local taxation is beneficial outlay, and in strictness should no more be called a tax, than the appliances of business are a tax on the trader; that as long as the tax is levied on the occupier, and is distributed evenly, the occupier pays it and not the owner: that in a great number of cases, this distribution of local taxation is a solid advantage to the landowner, who gets paid a part of the necessary charges which are incurred before his rent is possible out of the pockets of other people, and that the presumed incidence of local taxation, for the reality of which no proof has been given, has been made the apology for a series of enactments, many of which have been exceedingly injurious to the mass of the people, none of which can be justified on economical grounds, all of which are, as the real state of the case is discussed and comprehended, indefensible, and therefore in danger.

Subjoined are the particulars of "local taxation" incident upon rateable areas, and on the traffic of turnpike roads, in England and Wales, so far as the statistics can be collected, for the years 1864-69 inclusive.

APPENDIX.

A.—POOR RATES *Levied and Expended, Six Years, ended with 1869.*

[000's omitted throughout, i.e., A to P, thus 9,448l. = 9,448,000l.]

Years ended at Lady-day.	Amount of Poor Rates Levied.*	Expended in Relief to the Poor.	Expended for all other Purposes.	Total Amount Expended.
	£	£	£	£
1864	9,448,	6,423,	3,257,	9,680,
'65	9,392,	6,265,	3,527,	9,792,
'66	9,574,	6,440,	3,550,	9,989,
'67	10,304,	6,960,	3,945,	10,905,
'68	11,055,	7,498,	3,883,	11,381,
'69	11,364,	7,672,	4,101,	11,774,

* Besides the rates actually levied each year, there is a considerable sum of "receipts in aid." In 1869 they amounted to 412,000l.

B.—COUNTY, BOROUGH, POLICE, and HIGHWAY RATES *Paid out of Poor Rates, Six Years, ended with 1869.*

Years ended at Lady-day.	Amount Paid Out of the Poor Rates to other Local Rates.		
	County, Borough, or Police Rates.	Highway Boards under 27 and 28 Vict., cap. 101.	Total.
	£	£	£
1864	2,163,	—	2,163,
'65	2,133,	551,	2,684,
'66	2,209,	578,	2,788,
'67	2,512,	596,	3,107,
'68	2,457,	615,	3,071,
'69	2,565,	658,	3,223,

C.—*Payments to the COUNTY and POLICE RATES, chiefly out of Poor Rates, Six Years, ended with 1868.*

Years ended Michaelmas.	Levied on County and Police Rates.	Allowance from Her Majesty's Treasury.	Other Receipts.	Total Money actually Received.
	£	£	£	£
1864	1,305,	326,	308,	1,935,
'65	1,291,	349,	317,	1,956,
'66	1,359,	329,	371,*	2,059,
'67	1,449,	329,	513,	2,290,
'68	1,501,	343,	450,	2,294,
'69	1,576,	352,	578,	2,506,

* Exclusive of 368,000l. raised in 1866 as "Cattle Diseases Prevention Act Rate."

Note.—In a few parishes a separate rate is raised for county and police purposes.

D.—BOROUGH RATES, TOLLS, and other RECEIPTS, during 1852-54 and 1868 (*exclusive of the City of London*).

Years ended August.	Total Receipts of Boroughs.	Whereof were Raised as Borough Rates.*	Total Borough Expenditure.
	£	£	£
1852	1,417,	329,	1,306,
'53	1,465,	268,	1,456,
'54	1,469,	312,	1,497,
'68	2,157,	997,†	3,077,

* A part of these rates is paid out of poor rates.

† Of this sum 543,000*l.* are borough rates under 5 and 6 Wm. IV, cap. 76, and 454,000*l.* "other rates" levied by the boroughs.

E.—HIGHWAY RATES *Raised under the Highway Acts of 1862 and 1864, Five Years, ended with 1867.*

	Highway Rates.	Other Receipts.	Total.
	£	£	£
1863	1,268,	87,	1,355,
'64	1,234,	70,	1,304,
'65	1,340,	63,	1,403,
'66	1,345,	67,	1,412,
'67-68	1,428,	68,	1,496,

Note.—These are raised as separate rates. In 1867-68 the levy under 12 and 13 Vict., cap. 12, was 643,000*l.*; under 23 and 24 Vict., cap. 68, 45,000*l.*; and under 27 and 28 Vict., cap. 101, 740,000*l.*

F.—RATES, TAXES, TOLLS, and DUES *Raised by Improvement Commissioners, Five Years, ended with 1868.*

	Improvement Rates, Taxes, Tolls, or Dues.	Other Receipts.*	Total.
	£	£	£
1864	333,	105,	438,
'65	325,	136,	460,
'66	349,	199,	548,
'67	680,	365,	1,045,
'68	699,	349,	1,048,

* Excluding loans.

G.—LOCAL GOVERNMENT RATES, *Five Years, ended 1868.*

	District Rates.	Highway Rate.	Other Rates and Receipts.	Total.
	£	£	£	£
1864	249,	31,	148,	428,
'65	293,	34,	166,	493,
'66	249,	36,	110,	394,
'67	671,	66,	296,	1,033,*
'68	840,	83,	358,	1,281,

* This is not the total in the book ; though taken from a balanced account it is demonstrable that the receipts are between 20,000*l.* and 30,000*l.* wrong.

H.—METROPOLITAN, VESTRY, and DISTRICT BOARD RATES. *Sums Levied for the undermentioned Rates, Five Years, ended with 1868.*

PART I.

	General Rates and Lighting Rates.	Special Rates.	Total.
	£	£	£
1864	668,	34,	702,
'65	679,	40,	719,
'66	736,	27,	763,
'67	868,	36,	904,
'68	957,	31,	988,

H.—METROPOLITAN, VESTRY, and DISTRICT BOARD RATES—*Contd.*

PART II.

	Sewers Rates.	Main Drainage Rate.	Total.
	£	£	£
1864	149,	151,	300,
'65	206,	150,	356,
'66	182,	179,	361,
'67	245,	193,	438,
'68	292,	169,	461,

I.—METROPOLITAN POLICE RATE (*Paid Out of Poor Rates*) and GOVERNMENT GRANTS, *Four Years, ended with 1870.*

Years.	Rates Paid by the Parishes.	Government Grants.	Total.
	£	£	£
1866	383,	140,	523,
'67	448,*	147,	596,
'68-69	489,	172,	661,
'69-70	534,	175,	720,

* This police account was made up for five quarters, four-fifths of the totals are entered above.

J.—WARD RATE and CONSOLIDATED RATE of the City of London. Sums Levied, Five Years, ended with 1868.

	Ward Rate.	Total Receipts under Consolidated Rate.	Whereof were for	
			Consolidated Rate alone.	Improvements.
	£	£	£	£
1864	4,	122,	97,	14,
'65	3,	113,	92,	9,
'66	4,	136,	109,	16,
'67	3,	153,	111,	31,
'68	5,	141,	104,	37,

K.—POLICE RATE of the City of London. Sums Levied within the City, Five Years, ended with 1868.

	Police Rate.	Corporation Grants.	Other Receipts.	Total.
	£	£	£	£
1864	37,	11,	3,	52,
'65	31,	13,	3,	47,
'66	44,	17,	4,	65,
'67	48,	15,	4,	67,
'68	51,	15,	6,	72,

L.—SEWERS RATE. Sums Levied, Five Years, ended with 1868.

	Sewers Rate.		
	In Counties.	In City of London.	Total.
	£	£	£
1864	44,	17,	61,
'65	42,	18,	60,
'66	41,	18,	59,
'67	43,	40,	83,
'68	45,	25,	70,

M.—DRAINAGE and EMBANKMENT RATES and RENTS, Five Years, ended with 1868.

	Total Receipts.	Whereof was from	
		Rates under Act.	Rents, Rates, by Charter or Custom.
	£	£	£
1864	216,	140,	7,
'65	165,	135,	8,
'66	161,	131,	11,
'67	199,	162,	14,
'68	230,	141,	13,

N.—CHURCH RATES. *Sums Levied, Five Years, ended with 1868.*

	Total Receipts.	Whereof were Church Rates.	
		At Common Law.	Under Statute Law.
	£	£	£
1864	300,	208,	34,
'65	296,	210,	33,
'66	280,	194,	35,
'67	290,	202,	31,
'68	339,	195,	35,

O.—TURNPIKE TOLLS. *Amount Raised in England and North Wales, Five Years, 1861, 1864-67.*

	Tolls.	Parish Aid.	Total.
	£	£	£
1861	1,039,	31,	1,070,
'64	1,009,	31,	1,040,
'65	998,	32,	1,030,
'66	945,	31,	977,
'67	890,	33,	923,

P.—TURNPIKE TOLLS. *SOUTH WALES Roads, Five Years, 1861, 1864-67.*

	Tolls.	County Road Rates.	Total.
	£	£	£
1861	27,	10,	37,
'64	28,	9,	37,
'65	28,	8,	36,
'66	25,	10,	35,
'67	25,	10,	34,

SUMMARY Statement of the Local Rates Raised from Rateable Areas in England and Wales during the Latest Year for which particulars are published.

	Year.	£
A.—Poor rates (<i>minus</i> borough, county, police, } and highway rates)	1869	8,142,000
C.—County and police rates	'69	1,576,000
D.—Borough rates	'68	997,000
E.—Highway „	'68	1,428,000
F.—Improvement commission rates	'68	699,000
G.—Local government rates	'68	923,000
H.—Metropolitan, vestry, and district board rates	'68	1,449,000
J.—City of London consolidated and ward rates...	'68	109,000
K.—City police rates	'68	51,000
L.—Sewers' rates	'68	70,000
M.—Drainage and embankment rates.....	'68	154,000
N.—Church rates	'68	230,000
Total	—	15,828,000

Note.—The aggregate amount of this summary falls short of the sum given in Mr. Ward Hunt's return of 1868. After a very careful investigation of the local taxation returns for several years, no other information with regard to the levy of separate rates of this class, than particulars corresponding to those given above, can be discovered.—[ED. S. J.]