

SHOULD THE COMMUNITY BUY BACK THE LAND?

by

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A few months ago, the Mutualist Society in Sydney issued "AN OUTLINE OF MUTUALISM", one of its planks being for the Government to re-purchase land and make payment for it by means of interest bearing bonds. "THE STANDARD", published in Sydney, in its issue of February, 1959, contains a report of a lecture given by Mr. H. Inglis as in the caption above.

The report indicated enthusiastic appreciation of the work involved in gathering the details for the lecture, that there was "a spirited discussion", but no information was given to indicate whether the subject was considered just and logical, or otherwise.

As there are apparently some members of the community who consider the proposal is the quickest way to obtain economic justice, we deem it necessary to offer a few comments on the proposal.

Dealing with the subject dealt with by Mr. Inglis, the first question that arises is:- Is there any need for the community to buy back the land it now owns? Surely the answer must be in the negative! We quote constitutional authorities who state the land is NOW OWNED BY THE CROWN.

AUTHORITIES QUOTED:

SIR EDWARD COKE: "All lands or tenements in England, in the hands of subjects, are holden mediately or immediately of the King. For, in the law of England, we have not any subjects' land that is not holden."

RIGHT HON. JUSTICE STEPHEN: "All lands owned by subjects in England are in the nature of fees, whether derived to them by descent from their ancestors, or purchased for a valuable consideration; for they cannot come to any man by any of these ways, unless accompanied by those feudal incidents which attended upon the first feudatories to whom the lands were originally granted."

SIR WILLIAM BLACKSTONE: "Accurately and strictly speaking, there is no foundation in nature or natural law, why a set of words on parchment should convey the dominion of land. Allodial property no subject in England now has: it being a received and now undeniable principle in law that all lands in England are holden mediately or immediately of the King."

Note:- Allodial property: Landed property belonging to a person in his own right, and for which he consequently owes no rent or service to a superior."

WILLIAMS (LAW OF REAL PROPERTY): The first thing a student in law has to do is to get rid of the idea of absolute ownership (of land). Such an idea is quite unknown to English law. No man is in law the absolute owner of lands.

At the present day, every tenant in fee simple so fully enjoys the right of alienating the lands he holds, either in his lifetime, or by his will, that most tenants in fee think themselves to be the lords of their own domains; whereas, in fact, all landowners are merely tenants in the eyes of the law".

RIGHT HON. JUSTICE LONGFIELD: Property in land differs in its origin from property in any commodity produced by human labor, the product of labor naturally belongs to the laborer who produced it, but the same argument does not apply to land, which is not produced by labor, but is the gift of the Creator of the world to mankind; every argument used to give an ethical foundation for the exclusive right of private property in land has a latent fallacy".

SIR FREDERICK POLLOCK: It is commonly supposed that land belongs to its owner in the same sense as money or a watch; this is not the theory of English law since the Norman Conquest, nor has it been so in its full significance at any time. No absolute ownership of land is recognised in our law books, except in the Crown. All lands are supposed to be held mediately or immediately of the Crown though no rent or service may be payable, and no grant from the Crown on records".

In the light of these statements, there does not appear to be any justification for the Crown to BUY BACK land it ALREADY OWNS.

INTEREST BEARING BONDS:

The suggestion made by advocates of Crown re-purchase is that payment shall be made by the issue of interest bearing bonds. No indication is given as to how the scheme is to operate. Some suggest a 20 years' period for operation, others think it may be 40 years. No mention is made of the interest rate to be paid, or how that rate will be determined. Seeing there is a great variation in interest rates during a period of 20 or 40 years, some information on this point seems overdue.

How will the re-purchase price of the land be determined?

This is a very important question. Under normal conditions, if an area of land is yielding an income of, say, £1,000 a year, and the interest rate is 5 per cent, the income is capitalised at a 20 years period, and the price of the land would be £20,000. We know that land is subject to taxation by State and Local Governments. If we assume the land value taxation levied upon the above-mentioned land amounts to £100 a year, the selling price would then be £18,000. Selling price varies according to the land values' taxes levied upon the land.

We have before us, as we write the latest Annual Report issued by the Queensland Land Tax Commissioner. This shows, that in that State there are fourteen differential rates of land tax levied. In addition, there are variable rates of land tax levied by local governments.

Seeing that the net residual rent of land is an important factor in regulating the selling price of land, is not it correct to say that the land with the lowest rate of taxation in the £ also has the highest residual net rent for capitalization in regard to selling price? Conversely land with a higher land tax levy upon it has a lower residual net rent value, hence its capitalization for selling value is lower than the former land.

The question of exemption from the payment of land values taxation must also be considered. These exemptions vary in the Land Tax Acts in various States of the Commonwealth. The landholders who enjoy them do not make any contribution to land tax revenue. The land exempted from land tax would have a much higher capitalization of rent value for selling purposes, than land upon which low and high rates of land tax were imposed.

Are these variations in capitalization of residual rent which influence the price to be paid for land to be fully considered, when the land is taken over by the Crown?

If not, would not it mean that the landholders who have contributed to revenue a very small percentage of economic rent would enjoy a special privilege in a higher price, than the price obtained by those who had been contributing a bigger percentage of economic rent to revenue? We would like advocates of re-purchase to give us their views on this important aspect of the question.

COMPENSATION:

The specious claim made by beneficiaries to compensation, is that they acquired the land in a legal manner, and they should be protected in their investment. We have already indicated that the moral right to take ground rent for public purpose has ALWAYS existed.

To those who hold the erroneous idea they have a moral right to compensation, let us put the following to them.

It is a well-known fact that many men have given years of their lives acquiring special knowledge in regard to certain forms of production. They have also acquired machinery to assist them in their work. Later in life, a better type of machine has been invented which made their old machines valueless and practically put them back as common laborers. Do the advocates of compensation for landholders advocate compensation for these men -- men who have at least contributed to production? We have not heard of them making any such suggestion. Why?

One point usually overlooked is that insofar as the landholder does not enjoy a differential privilege, he would, as a land USER, be as well off with economic rent going into the public treasury as he was before. Although he could not realise such a high price for his land as he could before the just system of collecting revenue was established, his land would still produce as good crops, or would serve him just as well as a home. If he sold his present holding at a price greatly reduced, he could buy another correspondingly low. Although his land value tax would be increased, he would be freed from all other forms of taxation - direct and indirect - and in addition, he and all his fellows would become economically and politically free.

If the advocates of Crown re-purchase of land consider that compensation (or "adjustment" as some term it) should be made to those who have been enjoying a landholding privilege, what about the victims of other unjust systems? Should not they be compensated for the great injustice they have suffered over a long period?

To those urging that compensation be paid to landholders by means of a bond issue, we direct their attention to this fact. Under our unjust protectionist policy, many companies and individuals have made big investments in goods upon which high tariff taxes have been levied. Assuming the government and the community became economically sane and adopted a free trade policy, would the advocates of compensation to landholders then urge the government to take over the stock of goods upon which the unjust taxes had been imposed, paying for them by an issue of bonds? If not, why not? The support of such a proposal would at least prove they were consistent and did not favor one section of the community as against another.

Assuming that the community decided to collect economic rent and to abolish the unjust taxation now levied upon labor and labor products, if interest bearing bonds are issued to the value of the land re-purchased as payment, would not the parasitic class continue to enjoy their privilege to rob the people under the name of "interest" instead of rent?

If the interest rate on the bonds was 5 per cent at time of issue, then at the date of maturity on a 20 years basis, those compensated would have received £100 in interest of a £100 bond and at maturity, would receive £100, principal, making £200 in all.

IMPROVEMENTS: Another aspect of the proposal needs further explanation. When the Crown has issued bonds as compensation for the land, how will the property rights to improvements on the land be safeguarded to the landholder?

Will new title deeds be issued to the owners of the improvements? If so, what will be the nature of the title? It appears to us the freehold will disappear and a leasehold title issued in lieu thereof.

Another point to be answered is this:- Supposing a mortgage is on the land, how will the right of the mortgagee be protected? Will the mortgagee participate in the bond issue to the extent of his advance upon the land? If so, who will decide how much of the mortgage represents an advance made against land, and how much on improvements upon the land? Obviously, the advance made would be inscribed upon the title deed and would be secured by both types of assets. Working out this problem should provide employment for a huge additional staff in the land titles office.

To those who are down-hearted in the long fight for justice, let them remember the words by Henry George:-

"The truth that I have tried to make clear will not find ready acceptance. If that could be, it would have been accepted long ago. If that could be, it would never have been obscured. But it will find friends --- those who will toil for it; suffer for it; if need be, die for it. This is the power of Truth."

Let us then refrain from compromising with just principles by supporting proposals which will not stand logical examination. Truth is mighty and ultimately will prevail. By working for a principle which is economically and ethically sound, we are playing our part in doing our share in the work of trying to make the world a better place for all to live in.

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