

## **History of Tax**

### **Professor Martin Daunton – The politics of land taxation in the British Empire**

**20 February 2018**

Professor Martin Daunton made a welcome return to the Tax History Group to continue his “Cook’s tour” of tax. Three years ago he took us to Japan, and this time we had a round trip from the UK to New Zealand via India, and home again.

In Britain in the nineteenth century there was a system of tenure which was tripartite, with landowners, tenants and labourers. This system attracted criticism from radicals, including James Mill and his son John Stuart Mill (both of whom worked for the East India Company), who held that income from land was parasitical, as the landowner did not have to do anything to earn it. Better instead to move away from a tenurial system to one of yeoman farmers.

These ideas were pursued in the British Empire by the rulers and settlers who had to decide on the optimum structure for society, which was in part determined by the way that land was held and taxed. Professor Daunton illustrated the development of land tax, and the eventual adoption of the radical ideas in Britain, by reference to India and New Zealand.

Ultimately New Zealand rejected the large estates that were a consequence of the tripartite system. However, reaching the position was not simple and necessitated several reforms. In the 1850s the price of land was reduced to create small farms for settlers; in reality this resulted in the creation of vast sheep farms owned by the wealthy. George Grey, who had been Governor and would later become prime minister in 1877, and John Balance, the Treasurer from 1878, wished to create small farms and introduce a tax on land, whether or not it produced an income, with income arising from personal exertion remaining untaxed. Whilst more in line with the radical views in Britain, this system was not without its problems, not least hostility from urban interests. Further reform followed in 1892, with a Government scheme to buy land from large estates, with the introduction of a progressive income tax, which eventually funded the non-contributory state pension introduced in New Zealand in 1898, ten years before Britain.

In a fascinating talk, Professor Daunton illustrated the economic and political lessons learned from the various systems adopted in India and New Zealand, which should be the subject of study for anyone considering the development of land taxes today.

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