

socialism, there was a desperate need to protect employment in the rural sector.

One can sympathise with the problem of "surplus" labour, but the flight-of-capital argument did not apply in the early 1970s when the tax concessions were originally granted.

In any event, as Mr. Tulloch-Reid readily pointed out, the tax relief was principally designed to help the big agricultural estates; and these tend to employ far fewer people than the more intensively-farmed small units.

So looking at it from the point of view of employment prospects, it would have paid to increase the tax on the large land monopolists. For job opportunities are expanded when speculation and unrealistically high prices are destroyed by an effective land value tax. Jamaica, by failing to weigh all the prospects in the balance, missed a historical opportunity.

**T**HE 1970s were Jamaica's lost decade. The future, however, appears to be a happier one.

Government officials are enlightened about the workings of the land tax and the opportunities that it presents. Said Mr. Tulloch-Reid:

"There is a historical reason why we are not getting the proper revenue from property: it never assumed any significance, until 1972. If you were doing an appraisal for a foreign investor, you wouldn't take the property tax into account."

At present, the tax rate averages 2-2½ per cent of assessed values. "We need a gradual build up in the rate structure," said Mr. Tulloch-Reid. "A carefully designed rate structure could move revenue from \$25m to \$40m. Over a five-year period this could move to \$50m, assuming the present rate of growth. If you can maintain growth, you can say to John Brown that he ought to pay more land tax. It is the big leap in taxes that is disruptive, and there's a tendency for government to leap."

Big leaps are not important, provided movement is in the right direction. Jamaica now has a second chance to shift its course radically. If it succeeds, it will be envied and emulated by many Third World countries that are similarly seeking full employment and the eradication of poverty.

#### BILL BLAND

WE REGRET to report the death of William Edward Bland. He died on June 18, at the age of 88.

Mr. Bland was a life-long campaigner for tax reform. He became a member of the United Committee for the Taxation of Land Values in December 1934.

An obituary will appear in our next issue.

## AUSTRALIA: need for vigilance

# Witchdoctor brew in McCusker cauldron

**I**F THE PRICE of liberty is eternal vigilance, then liberty and land-value taxation must have much in common. For in those fortunate parts of the world where at least some part of the land value is collected for local or national revenues, there are always powerful interests who, either through ignorance or self-interest, are prepared to denigrate and misrepresent the tax with the aim of sweeping it off the statute book. Without the vigilance of land-value tax devotees, such hostile efforts could be all too successful.

The latest area where those aware of the benefits of land-value taxation are having to marshal their resources against attempts to sabotage it is Western Australia.

The municipalities of Western Australia, in common with those of all other Australian states, have long enjoyed a freedom quite unknown in Britain — the freedom to raise their revenues by site-value rating (SV) if their ratepayers so wish. At present, Western Australia lags a little behind New South Wales and Queensland in

that some of its municipalities continue to raise some revenues by taxing buildings and other improvement (rating on Annual Value (AV)). The full picture in Australia, according to the most recent records, is shown in the table.

The threat in Western Australia has arisen from the recommendations of a five-man committee led by Mr. J. A. McCusker, whose report was sub-

## BY BERT BROOKES

mitted to the state Premier in April 1981. The committees were called upon to identify and suggest remedies for any anomalies or inequities which might be arising from land-value assessments in times of advancing land values, especially those of small businesses, farms and large residential properties close to developing urban areas.

They were also to consider any problems which seemed to them to

	Number of Australian councils according to rating system used		
	Site value only	Part SV Part AV	Annual Value only
New South Wales	214	—	—
Queensland	131	—	—
Western Australia	43	83	13
South Australia	38	—	98
Victoria	62	—	149
Tasmania	—	—	49
Aust. Capt. Territory	1	—	—
Northern Territory	2	—	—
Totals	491	83	309

Note: The 43 councils in Western Australia using SV are, generally, the larger ones, containing 257,000 private dwellings. The 83 councils with mixed systems and the 13 using AV base only, contain 178,000 dwellings.



### Land Rent As Public Revenue in Australia

BY ALLAN R. HUTCHINSON

— a quantitative evaluation of potential exchequer revenue to be derived from land value taxation

Price (includes p & p): UK — £3.50; US — \$8.50; Australia — \$7.50; Canada — \$9; from Land & Liberty Press, 177 Vauxhall Bridge Road, London SW1, England

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result from the current cyclical revaluation procedure and the intervals between re-valuations.

Narrow terms of reference such as these have their dangers. They virtually invite the committee to take the hint – to accept that the suggested anomalies really do exist and then to recommend “remedies” which, since the committee have not made a comprehensive enquiry into the whole system, often create more anomalies than they solve.

**W**HILE THE enquiry was proceeding, the pro-land tax group of Western Australia went into action. Submissions to the committee were made by Messrs S. Graham Hart, Allan C. Harris, Andrew Priddle and B. Newsham.

Despite these efforts, their apprehensions about the committee and its inhibiting terms of reference were realised when they saw its main conclusions. These were that:

- a. Wherever it is possible to assess the costs, specific services rendered by rating authorities should be charged at cost to the recipients of the benefits of these services.
- b. Where rating contributions are needed to meet costs of more generalised services, only one valuation base should be used. The base should be capital value for improved properties and its equivalent, namely site value, for unimproved properties. (Capital Value [CV] is the combined value of the land and its fixed improvements.)

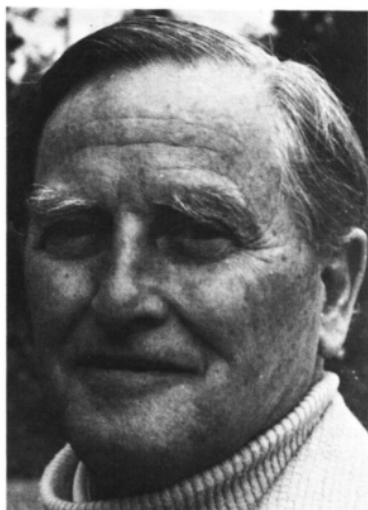
The committee also recommended that the target of annual re-valuations should be adopted and achieved within a reasonable period.

The main effect of these recommendations is that, in very many instances, the property tax would cease to be payable by land owners according to the value given to their sites by the availability of such essential public services as water, sewerage and drainage. Charges for these would be shifted from land owners as such and placed upon the tenants and owner-occupier users of the service.

The second recommendation, of course, would mean that all Western Australian ratepayers would be taxed largely according to the value of the improvements they made; the better they built, the more they would be taxed.

Amazingly, the McCusker Committee based its advocacy of the CV base partly on the conclusions of the British Layfield Committee which

## BRITAIN: time to tax rural land



● RICHARD CLARKE

### Gun Law and The Land Law

CLLR. Richard Clarke of Gloucester County Council is not too popular at present with the landowners who sit with him on this British council's Policy and Resources Committee.

After a motion that he moved in the committee last April, he was reminded that landowners usually kept guns on their premises – the implication being that one or two might just be pointed in his direction! For good measure, he has also been threatened that never again can he be expected to be re-elected to the council.

He treats it all light-heartedly, convinced that tongues were firmly in cheeks when the “threats” were made. At least, he hopes so...

The harsh words in the committee arose because Mr. Clarke has been looking at the de-rating of agriculture – the exemption of agricultural land and buildings from the local property tax which took place in the 1920s.

At the time, agriculture was in the doldrums, with farmland selling at a rock-bottom £20 an acre. But since those depressed years, the average price of agricultural land has bounced up again and, since the 1940s, has taken off in a big way. By 1981, Councillor Clarke told the committee, it had zoomed to a mind-boggling £1850 an acre. Agricultural rents were also buoyant with regular upward rent reviews. Yet not only does agriculture remain de-rated, it also gobbles up the biggest EEC subsidy of any industry in Britain.

carried out an enquiry into local government finance in 1976. For Australia, whose rating laws were adopted in this century, to look for guidance to Britain, whose rating system dates basically from the time of Elizabeth I, looks rather on a par with 20th century medical science seeking advice from a group of experienced witch-doctors.

This state of affairs, said Mr. Clarke, must not be allowed to continue. When local taxation is under strain, the burden of rates should be distributed fairly. The Society of Metropolitan Treasurers, he pointed out, had estimated that the re-rating of agriculture would add some £200m to the country's rateable value.

He refuted any idea that re-rating would bear heavily on farmers. That part of the rates that fell on land, he asserted, would become a reduction from rent and thus not affect the overall costs of the industry.

But Mr. Clarke made it clear to the committee that he regarded the re-rating of agriculture as only a temporary measure to get round the current problem of rates. Levying rates on agricultural buildings, he said, would prejudice farm development, just as it already hindered development in all other industries. The answer to this was to levy rates only on unimproved land values – to adopt the system known as site-value rating.

He roundly criticised the government's recent Green Paper, *Alternatives to the Rates* for failing to mention site-value rating while giving space to wild ideas such as a Poll Tax which could hardly be taken seriously.

The value of land, he said, was the ideal basis for raising local revenue. The value of land was due to the services provided by the community in the form of roads, water supply, schools, hospitals etc. That value increased as the local population expanded and the services became more generally available. The revenue from such a rate would thus rise in step with need for more services, so reducing the need for grants from the central government.

Mr. Clarke claimed that site-value rating complied totally with the criteria for a local taxation system set out in the Green Paper. It was practicable. It was fair. It was cheap to collect. By its very nature it was most suitable for financing local government. Yet it had one additional attribute that made it virtually unique; it was evasion-proof. You cannot, he said, take your land to the Bahamas.

The motion was narrowly defeated, the vital votes against it being cast by five landowning councillors who, under the rules, had voted after disclosing their interest. But it is safe to assume that Gloucester County Council have not heard the last of site-value rating, always provided that Mr. Clarke remains a member of the council – and keeps out of the line of fire.

**Paul Knight**

At all events, it was clear to the Western Australian land-taxers that these ill-informed recommendations had to be countered. Accordingly, they returned to the charge with a comprehensive critique of the whole McCusker Report, which they submitted to the state authorities.

In the first place, they pointed out, the CV basis recommended by

McCusker had been considered exhaustively by an earlier Australian committee – the Keall Committee – in 1975, and had been decisively rejected. The Keall Committee had concluded that, although the CV basis had practical merit in that properties were valued as they stood with no hypothetical assumptions having to be made by the assessors, it suffered from a major disadvantage – its cost. With the additional records and data that would be required, it would be costly to introduce and costly to maintain. Even with a much larger staff, the valuation authorities would need many years to acquire all the information they required to operate it efficiently.

In addition, said the Keall Committee, the CV base was open to the same criticism as the AV base in that it would discourage development. They warned, also, that whatever anomalies arose under the site-value system, a change to the CV basis would not rectify them since fluctuations in the price of land directly affected capital values – as, additionally, did changes in building costs.

In their memorandum, the land-taxers emphasised the paramount importance of a rating system that did not discourage development. Most ratepayers, they asserted, were ready to pay their share of rates if these were assessed according to the value given to their properties by the public utilities and amenities made available to their sites. But the same people would bitterly oppose being rated or taxed according to the value of their own improvements to their properties as would happen under the CV system.

**C**RITICISING the McCusker claim to be following in the footsteps of the British Layfield Committee, the land-taxers said that the whole idea of looking to Britain as a

## Single Taxers wiped out in unnecessary election

**B**ECAUSE of the way in which Denmark has been ruled for decades, the government is always in severe need of increased revenue. The more money it takes through income taxation, the more people need public assistance; but this can only be financed through further taxation, and so on. For this reason, the government always seeks new targets for taxation.

Last autumn the government got the idea to tax the interest earned by all kinds of funds, including pension funds. The money was

## DOMINICAN REPUBLIC

### Radical line-up boosts tax reform plans



● Philip Finkelstein

**THE PROSPECTS** for a change to land value taxation in the Dominican Republic were increased by the elections in May, writes Ian Barron.

With unemployment running at over 30 per cent, the voters elected a radical, Jorge Blanco, as their new president.

The out-going president, Antonio Guzman, had indicated sympathetic support for a tax on the Caribbean island's land values. But he was not expected to make fast progress towards fiscal reform, according to local land tax campaigners: Mr. Blanco, however, is expected to explore the possibilities of fiscal reform more forcibly.

A conference on land value taxation was held in Santo Domingo, the capital, last year. It was jointly organised by two U.S. organisations, the Lincoln Institute of Land Policy, from Cambridge, Mass., and the Henry George School of New York.

Mr. Philip Finkelstein, Director of the Henry George School, said after the elections: "I have no reason to believe that Mr. Blanco will oppose us. He is favourably disposed

towards land value taxation. But he can't be taken for granted."

One of the politicians at last year's conference was Jose Francisco Pena Gomez, who at the time was a member of the Chamber of Deputies. He is chairman of the Latin American section of the Socialist International.

Gomez spoke in favour of a change to a property tax based on unimproved land values. He was elected Mayor of Santo Domingo in the elections. The possibility of a pilot study of land value taxation in the capital is now being explored.

"The outcome of the election results is favourable to us," declared Mr. Finkelstein in New York.

● Although a leftwinger, Mr. Blanco, a 56-year-old lawyer, has said that he will work for closer ties with the U.S. Despite assurances that he will hesitate over establishing links with Cuba, some observers fear that the military may stage a coup before Mr. Blanco takes over the President's office on August 16.

source of guidance on rating principles was absurd. Unlike Australia where site-value rating was in common use, Britain had no practical experience of the system at all, even though several hundred local authorities in England, Wales and Scotland had, over the years, pressed Parliament for authority to adopt it. The fact that a British committee had advocated the CV basis for domestic property, while retaining the AV basis for everything else, did not detract from the proven superiority of site-value rating to both.

Finally, said the land-taxers, if the McCusker Committee hoped that a change to CV rating would smooth the path to annual revaluations (as an aid to avoiding anomalies) they should think again. The British experience (only three re-valuations since 1945) demonstrated the near-impossibility of completing re-

valuations quickly when buildings and other improvements had to be valued. In New South Wales, by contrast, where the valuation of improvements had been dropped and where site values only were now assessed, the re-valuation cycle was being cut to three years and would probably come down to two years in the near future.

The overwhelming evidence, said the land-taxers, was against any move away from site-value rating. The wide popularity of this form of rating in Australia reflected the deliberate choice of the councils or ratepayers concerned. The anomalies that arose in Western Australia were more likely to be due to the use still being made of the AV basis by some councils in the state. The proper base for rates was clearly the site value of land, the value given to land by the level of services available to it.

Professor J.P. Skou reports



## DENMARK

wanted to "create" work for unemployed young people, and to support the rising number of farmers who were forced to sell up because of ever-increasing production expenses and high interest rates.

Prime Minister Anker Jørgensen, however, found it too difficult to get legislative support, so he issued writs for an election. Parts of the Bill would have created more equality between

taxpayers under the existing laws, so if the government had been more flexible it would have come through with the main part of it.

Most people thought that the real reason for the election was that Mr. Jørgensen was tired of governing. Today, he is still Prime Minister and the problems are much worse than they were before. The election, after all, was an unnecessary one.