

Taxation, the Law & Economic Slavery

THE LAND Compensation Act of 1961 consolidates the law relating to the assessment of compensation on compulsory acquisition of landed property. It provides for compensation for injurious affection resulting to other land nearby of the same owner caused by the project. But Section 7 makes a rule which provides, broadly speaking, that if an owner retains adjacent land – the value of which is enhanced by the development to be carried out by the scheme – the betterment is to be set off against the compensation otherwise payable.

The rule has the hall-mark of justice and reason, for it ensures that whilst payment is made for loss, it takes into account unearned gain made at the same time. But it also highlights substantial general injustice on a scale far beyond the individual case.

Most landed improvements benefit other land in the locality. The improvements may be private or public, but the works of the public authorities usually provide the wider benefit.

LET US assume that the improvement in a particular case is the provision of a road.

The owner who loses part of his land under compulsory acquisition receives compensation under Sec. 7, as described above.

In addition, an owner who does not lose any of his land, but feels that the value of his property has been injuriously affected, can also claim compensation (Sec. 10, Compulsory Purchase Act 1965).

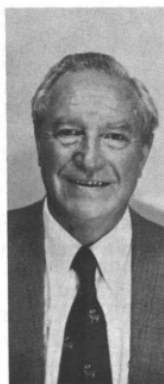
But what about the owners whose land along the road has *increased* in value? They receive unearned benefit, without paying for it – the community cannot claim “compensation.”

Wherever people congregate and work a value arising from their activity and co-operation is reflected in the value of land in the locality. The greater the numbers of people and activity, the greater the value. Land not counting buildings and other improvements upon it in the centre of London is valued in millions of pounds an acre. That value does not stem from any activity of the landowner, nor anything in the soil –

it is amenity value made and paid for by the whole community.

Compare the value of that London acre with that of an acre in the depths of the country, and ask why the difference. Cogitation on that difference is enlightening.

Because all wealth is produced by natural resources (which includes land) with labour applied, obviously to the extent that the benefit of that wealth is taken as a toll for access to land, the wages of work people are diminished; and the fewer the land-owners owning all the land, the nearer the labourer comes to being an economic slave.



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The principles thus enunciated have been publicly recognized for years. The 1947 Town & Country Planning Act was an attempt to right the wrong. The attempt has had a chequered career and led to many changes in the law. All attempts through the statute book to right this fundamental economic wrong have suffered from one central fault, namely, that the levy or tax to recoup to the community some part of the unearned amenity value was imposed *at the point of development*. The consequence was that land was held back from development by its owners, causing an extraordinary artificial scarcity which, then and now, penalizes those who have to buy a home or factory or office in which to live and work.

The true remedy is to take the amenity value back to the community who created it, by way of taxation – in the process replacing taxes on effort and production. The tax would fall upon land only, so that buildings and improvements which are earned

would be exempt. It would fall on all land according to its value – vacant, under-used and fully developed – thus at last bringing land into orderly development and cheapening it, and at the same time taking the amenity value back to those who created it.

So whilst Sec. 7 ordains justice and reason in relation to the person whose land is taken, it is not justice for him to be singled out to pay for betterment while others receive betterment and do not pay. The rule should remain but there should be other legislations to apply the same principle to all land by way of taxation on the basis I have endeavoured to describe.

SOMETIMES it is sought to condemn landlords and attack their moral attitude in taking advantage of their privileged position and in the process impoverishing their fellows. This is a mistake. If a landowner for moral reasons were to dispose of his land at less than its market value he would merely pass on the privilege to the recipient. There would be nothing to prevent that recipient selling on and taking the difference between the purchase price and the market value for himself. The toll would still be taken from those who provide the capital and those who work on the land and economic justice would not have been achieved.

Moral considerations would, of course, arise if the landowner, knowing the economic detriment to his fellow men, were to resist the reform I have outlined. For he would then consciously be standing between providence and the true inheritors, and in the process taking part of other peoples' wages for nothing.

BEQUESTS

If you are making or revising your will remember a bequest to the *United Committee for the Taxation of Land Values, Ltd.* 177 Vauxhall Bridge Rd., London, SW1.