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THE COAL BILL

THE GOVERNMENT's proposals for what its sponsors call the unification of the ownership of coal, and some call the nationalization of coal, are embodied in the Coal Bill which was discussed on second reading in the House of Commons on 22nd and 23rd November.

The measure provides for the creation of a body corporate to be known as the Coal Commission. This body will acquire all coal whether at present being worked or not and whether actually known to exist or not. Together with the coal deposits the Commission will acquire the ancillary rights of working. The purchase price of the coal and of these rights is to be a total of £66,450,000, and it will be apportioned between the owners according to a valuation to be made according to rules laid down.

The Commission will also acquire certain other rights, called surface servitudes, and will also acquire (unless in any particular case they decide otherwise) other minerals comprised in coal mining leases. The leasehold interests of those working collieries will be retained by them and not acquired by the Commission. Where the coal is being worked by the owner he will be granted a lease on the terms usual in the vicinity, and the coal deposits will be acquired subject to such lease. Where there are a series of leases, the Commission may acquire the superior leases, leaving in existence the leasehold interest only of the person actually working the coal. The amount to be paid for these other interests which the Commission may or must acquire is to be fixed by valuation in each particular case, and provision is made for raising a sum not exceeding £10,000,000 for paying the purchase price of these and for defraying various expenses incurred by the Commission prior to the time when the ownership of the coal deposits is vested in it and it begins to draw the royalties.

On the valuation date, 1st January, 1939, each owner will be deemed to have entered into a contract to sell his property to the Commission at the price to be ascertained. On the vesting date, 1st July, 1942, the property will actually become vested in the Commission. In the intervening period the owners will draw the royalties or other payments, but will only be able to deal with the property to the limited extent allowed by the law relating to such contracts.

The Commission is authorized to borrow money by the issue of Coal Commission Stock up to the total of the two sums of £66,450,000 and £10,000,000. The Treasury is empowered to guarantee the payment of principal and interest on such borrowing, but the

property acquired by the Commission will be the principal security for its obligations.

Other clauses in the Bill provide for the transfer to the Commission of the powers of the Coal Reorganization Commission under the Act of 1930 and for compulsory amalgamations of colliery undertakings. There are also powers for the management of the property acquired including power to reduce rents subject to certain conditions.

Let us pass now to a consideration of the purpose and the reasons for this legislation and what its results will be in practice.

The president of the Board of Trade (Mr Oliver Stanley) in moving the second reading said that it would be "a scheme to enable the proceeds of the industry to be put upon a better basis, to increase the price which was being received for coal, so that out of that bigger price, out of those bigger proceeds, some part of the demand of the miners could probably be met." This was "an essential part of any long term policy for the coal industry." The means to secure these ends were compulsory amalgamations and unified ownership of royalties which would enable the terms of mining leases to be modified. Power is given the Commission to reduce rents when they are above the average of the district, and after this general levelling down has been secured, if the Commission has funds at its disposal, to give a general reduction of rents, "and, in the end, to bring about the final extinction of royalties as a charge on the industry."

The phrase last quoted indicates quite clearly that it is intended that the Commission shall issue stocks which are redeemable upon some fixed date. Unless the stock is redeemed royalties cannot be extinguished for they will be needed to pay interest on the debt. Until the redemption date arrives the Commission will be under the obligation not only to pay interest but to provide by sinking fund, purchase of stock on the market, or otherwise, sufficient money year by year to secure that the debt be paid off. There is no ground for anticipating, as some have done, that the Commission will have substantial surplus revenues available every year for the purpose of reducing royalties, and as it is also hoped enabling wages to be raised (although these two things are by no means the same).

It may be inferred that the Government have no expectation of seeing the Commission in possession of surplus revenue available for either of these purposes. If so, why the insistence in Mr Stanley's speech upon the necessity "to raise and maintain the price of coal at a level sufficient to give a proper return"?

It may be useful to consider a little more closely what meaning can be attached to the phrase "extinction of royalties" and whether it is possible. Although royalties appear to be a payment for the coal itself, as it is removed from the earth, they are nevertheless of the nature of a rent. In the absence of speculation or of concerted holding of deposits out of use, the production of coal will be pushed to such a point as will bring it into equilibrium with the other needs of the community. The least productive mines brought into use will only be able to pay small or nominal royalties, after paying the normal rate of wages and return on capital. Those mines which for one reason or another are more easily worked will yield a surplus above these normal costs,

and that surplus is an economic rent. It is like all rent a differential advantage, and differs from other rents only in the fact that it will come to an end when the deposit is exhausted. The differential advantage enjoyed by the better mines cannot be extinguished. It can be collected by the owner of the land, or he can refuse to collect it and allow the colliery proprietor to have the benefit of it, but it cannot be destroyed. It could, conceivably, be taken by the state and given to the workers in the particular mines that yielded it. To do so would not only be extremely unfair to other miners, but it would be extremely difficult to prevent a corresponding reduction of wages and the retransfer of the advantage to the colliery owner.

It has also been suggested that the royalties from all mines might be collected and pooled for the purpose of raising wages throughout the coalfields. Such a proposal would be unfair to the community, for the value of coal in the earth (like other land values) is due to the community at large and not to any particular section of it. It is, therefore, sheer nonsense to talk of extinguishing royalties, and it is unfair to distribute them to one particular section of the community whether that section be landlords or miners. It might, however, be possible to effect some general reduction of royalties by allowing coal deposits which at present are unworked to become available for working. So far as coal has been held out of use, it may be presumed that the level of rent or royalty has been raised. To the extent that unused seams are made available and royalties have to be re-adjusted, the miners will in the end be benefited. This result could, however, have been produced much more certainly, easily and justly by land value taxation. There is, moreover, reason to believe that it will not follow at all from the present measure, for the revenues of the Coal Commission are earmarked in the first place for interest and sinking fund.

The financial essence of the acquisition is very simple. The consumers of coal will out of the price that they pay for coal find the money to pay the landlords. As every citizen is in some degree a consumer of coal, directly or indirectly, the purchase price will be found by what is virtually a protracted process of indirect taxation. If land is to be bought, and here we are concerned with what is pure land value without any element of improvement value, it would probably be far better for most citizens if it were done straightforwardly by taxation which went into the Treasury. Moreover, the shorter the period over which the burden was spread, the more likelihood is there that it would fall upon the shoulders best able to bear it. Public debts (and this is to all intents and purposes a *public* debt) are in the main a device for shifting the burden of taxation from the rich to the poor.

But there is another and a more serious aspect to the matter. In no other case can we find a more glaring example of economic rent. Royalties and mineral rents are paid for something that the owners never made or could have made, for something whose existence in many cases they never even suspected until some enterprising and intelligent person discovered it. Whatever hesitations the average citizen may have about property in land in other cases where often it is mixed up with improvements made by man, here is a case of

property which to most minds is entirely devoid of moral sanction. Here is a revenue which by all the canons of justice should have gone to the state, or to the community, to the relief of other burdensome taxation upon the food, the homes, and the livelihood of the people. By this transaction the people are deprived of that relief. The miners, and the rest of us, must on that account continue to bear taxation of which we should have been relieved. Thus those who have been robbed of their birthright are obliged to buy it back at the price of some £76,000,000.

Mr Stanley claimed for the Bill that it was a means of meeting the demand of the miners for higher wages. The Secretary for Mines (Captain Crookshank) also said (at Goole, on 12th November) that "one of the objects of the proposed Coal Commission was to try to find means of permanently achieving higher wages and improved conditions for miners." Without questioning the sincerity of this desire, let us see if the measure will achieve it.

The suggestion is that the colliery proprietors will be put in the position to pay higher wages by obtaining higher profits. Four ways are suggested by which this will be brought about. The first is through reduction of rents and royalties. The reasons have already been explained why little or nothing is to be hoped for from that source. The second is by release from onerous conditions in leases which without bringing in any revenue to the proprietor of the land, handicap the lessee, thus enabling the colliery proprietors to work their undertakings more economically. It is difficult to form any opinion as to the result of this, but it would be easy to exaggerate its effects. The third is by amalgamations, either voluntary or compulsory. Mr Stanley himself indicated the need for caution here although he considered that economies under this head would not be non-existent. The fourth is by regulation of output in order to restrict production and so raise or maintain the price of coal.

It is quite clear from the whole tenor of the Minister's speech that this is the principal object. It does not necessarily follow that the net revenues of the collieries will thereby be increased and still less that miners' wages will be raised. The price of coal no doubt can be controlled by restricting output, but the desire to purchase it may be still more restricted. So far as the export market is concerned, British coal must compete with coal from other sources and the export market is still important. In the home market, assisted by tariffs if necessary, the price can be raised, but consumption will inevitably diminish. The volume of employment for miners will decrease. If some of them do manage to squeeze more wages out of the colliery owners, others will pay for that by their unemployment; and the task of squeezing more wages out of the colliery owners will not be made easier by a larger volume of unemployment.

In any case, it does not necessarily follow that the result will be that colliery owners will have more revenues available for payment of wages, unless that reduction in output is secured by closing some of the poorer mines involving as this may do wastage of the capital already expended on them and possibly also flooding and damage to the workings with ultimate loss to the community.

This portion of the Bill is indeed a reiteration of the preposterous fallacy, which has secured currency all over the world, that the way to make people better off is to curtail the production of the very things that people require for their well being. If the destinies of nations remain in the hands of those who are capable of believing such things—or, perhaps, still worse, who put these ideas into practice without believing in them—then indeed the world is rattling back into barbarism.

By this Bill the Government has saved the royalty owners from making that contribution to the national revenue which might well have been required from them as from other owners of site values. It has helped to make other landlords feel themselves more securely entrenched in the enjoyment of unjust privileges, and it has set an evil precedent for the handling of the land question generally. These are serious injuries to the public interest of which the first will never be wholly repaired, and the others will require redoubled efforts to combat.

F. C. R. D.

FLOOD PREVENTION: ITS COST

By Duncan Cuthbertson

MR. G. BRANSBY WILLIAMS, when addressing the Institution of Sanitary Engineers on 29th October, 1937, advocated a plan to prevent the flooding of the Thames and Severn valleys. He proposed that five reservoirs be constructed in the Severn catchment, and six in that of the Thames, and suggested that hydro-electric schemes might also be carried out.

He said :

"It is very difficult to make any reliable estimate of the cost. A large portion of it would be for the acquisition of land and properties and compensating vested interests.

"A rough estimate makes the cost of the schemes ; for the Thames, £7,400,000, and for the Severn, £10,650,000."

As regarded the Thames, the most important benefit derived would be to ensure an adequate water supply for London for as long a time as it was now necessary to look forward to.

These schemes are therefore estimated to cost over £18,000,000, but it was not stated how much of this amount is likely to be absorbed by the items "acquisition of land and compensation for vested interests," and how much will be required for the actual engineering work. Obviously, the work cannot proceed until the land has first been obtained, and, as things are, the vested interests bought out. £18,000,000 is a large sum, but if it is essential that the schemes are carried through, then some such expenditure will have to be made.

While no one can grumble at the cost of public works which are necessary for the well-being of the community, everyone is entitled to protest against millions being given to those who do nothing to further these works, but are in a position to block them until they have been sufficiently well bribed to stand aside.

Those who are unfairly rated or taxed to finance them are also entitled to protest—it is their duty, not only to themselves, but to the whole community, to do so. Unless, however, they can point out an alternative and just method of raising the money, and a way of stopping the blackmail, their outcry will be in vain.

The alternative method is not far to seek. If the

danger of flooding is removed there will be an immediate rise in the value of the land concerned. Therefore, could anything be more just than to levy a rate on land values ?

A rate or a tax would automatically prevent an excessive price being put on any land required, but not only that ; all the owners of land the value of which appreciated would pay in exact proportion to the rise, however caused.

If public works were financed in this way, many long-overdue works (such as the Charing Cross Bridge scheme) could be proceeded with. It is only the question of excessive compensation to those who claim rights to land which is now blocking them. When this obstacle is removed they will become economic propositions.

OBJECT LESSONS

York.—Answering Mr W. T. Kelly in the House of Commons on 22nd November, Lieut Col Muirhead, Under Secretary for Air said that the claim by University College owners of the Langton Ouse estate, for 417 acres of land acquired by the Air Ministry for the new aerodrome, was settled at arbitration at a price of £32,787, but a question of law arising out of this arbitration had still to be decided by the High Court. He had no information as to the rateable value of the land, but as it was agricultural it was derated—which surely means that it had *no* rateable value ! The land that was worth £80 per acre was not assessed at all. Mr Kelly pointed out in his question that the College had demanded £43,626 for it.

Llwchar U.D.C., Glamorgan.—The Minister of Health, through Mr Bernays, the Parliamentary Secretary, informed Mr Grenfell in the House of Commons on 22nd November that he was making enquiries into the efforts the Llwchar U.D.C. had been making to acquire an acre of land for the purpose of road making in Dulais Road, Pontardulais, but were not able to proceed because they found the landowner's price too high. He would ascertain whether negotiations had been resumed and was asked also to discover what was the rateable value of the land in question.

This case was reported in the *Herald of Wales*, 7th August. At a meeting of the Llwchar Council, Councillor Tom Williams, of Grovesend, said : "There are people in Dulais Road who desire to charge the Council as much as £7,000 for an acre of land which is of no use to them and when the roadways are completed, their property will be enhanced."

Notts. County Council.—The conveyance of a site of about three acres for a senior girls' school on Beechdale Avenue, Sutton-in-Ashfield, at a cost of £2,650 was reported to the Council at the Shire Hall, Nottingham, on 2nd November (*Nottingham Journal* report). At the meeting, Mr C. Brown, M.P., said the site in question was quite agricultural three years ago. The price worked out at £900 per acre and he never knew, until he saw a previous case of land making this sum, that land at Sutton-in-Ashfield was so valuable. Why had they not approached the owner first instead of calling in the valuer and when he had valued the land, agreed on the price ? The Chairman said "sometimes it works the other way." How any one can express satisfaction in using £2,650 of public money to buy land at £900 per acre which was previously agricultural and therefore entirely free from rates, is a matter for astonishment.