

THE LAND UNION'S ATTACK ON THE VALUATION*

In publishing this manifesto against the Land Clauses of the Budget 1910, the Land Union has based its case not so much upon any injury done to the landlord as landlord but upon the alleged injury done to the building and other trades. They claim that "it will be impossible to restore the attractiveness of land development and the building of houses by private enterprise unless the three land value duties . . . and the system of Valuation under Part I. of the Finance (1909-10) Act, 1910, are repealed."

Our own position in regard to the Budget is well known, but in order to avoid any misunderstanding it may be pointed out that the three land value duties do not in any way constitute a part of the reform which the Land Values movement has in view. No more does the valuation conform to our standards, although it has cleared the way and removed almost all the obstacles to the providing of an efficient valuation to form the basis for a tax and rate on land values.

The Land Union lays down a sound position that in order to attract the investment of capital it should "enjoy freedom of exchange as a commodity" and that it "should be free from uncertainty as to its future position and from interference by officials." But it would seem that they have in view not so much the investment of capital, *i.e.*, the utilisation of capital in order to produce wealth, as the purchase of land, a transaction which in itself does nothing to increase the production of wealth.

It is argued by the authors of this manifesto that the Budget has interfered with the building of houses, but the main ground of their argument is that the Budget taxes do not fall on land value alone but have been to some extent a method of "extracting revenue from builders and owners of house property." This contention is to some extent true, for it seems to be clearly established by the Lumsden case that "Increment Value Duty may be claimed on money paid for compensation for goodwill of a business or on trade fixtures." This is a conclusion no advocate of land value taxation would disagree with for he would like to see industry entirely freed from taxes and restrictions, but, apart from the war, there are other reasons for the stagnation of the building trade, the most important of which are the difficulty of obtaining land and the enormous burden of rates and income tax levied on buildings. The Land Union of course would like to pretend that land has nothing to do with the question, yet even in this manifesto they give the case away by saying:—

"It (the Undeveloped Land Duty) is founded on the theorists' view that directly land is worth a penny more than its value for agricultural purposes it is ripe for building, but nearly all land within a mile or two of even a small town usually has a purely speculative value above the agricultural value *not because it is actually wanted for building but because in the future, near or remote, it may possibly become building land.*"

Here is the clearest confirmation of what we have always contended, that every town is surrounded by a ring of land held up for speculation which restricts its natural growth and leads to high land values and exorbitant rents in the developed area. The only answer the Land Union can make is that "if all this land had houses on it there would be sufficient accommodation to house the whole population of Europe." This, again, proves our case that there is no natural scarcity of building land but only an artificial scarcity due to speculation, for according to this very statement there is a superabundance of land suitable for building. Such land should be obtainable for building at its agricultural value or very little more, and it is this idea to which the Land Union is unable to reconcile itself. The landlords object

to being taxed on this speculative value and yet they are unwilling to let the land go at a reasonable figure. Their whole objection to the Budget and Land Valuation is because they see steadily approaching a time when the rating and taxation of land value will have destroyed the speculative values and enabled the people to obtain land at its natural price.

The Land Union is under no delusion that the landlord can shift a tax on land values. The effect is clearly illustrated by the following remarks with regard to the Undeveloped Land Duty:

"A plot of land worth, before the legislation was introduced, £1,000 by the passing of the Act become subject to an increased outgoing. Let us suppose that the Undeveloped Land Duty is £2 per annum; this at 4 per cent. per annum represents £50. If the owner now sells, he will probably not receive £1,000, in fact, the vendor would be fortunate if he received £1,000 less £50, the capitalised value of tax, but the purchaser would receive in exchange a plot of land worth at most £950, because he, the purchaser, would thereafter have to pay the annual tax."

In other words the owner is not able to recoup himself for the tax.

Another matter that may be referred to is the statement that the cost of the land forms only a small proportion of the cost of housing accommodation for the working classes, and the consequent inference that the taxation of land values would have no effect in cheapening housing accommodation. This statement is supported by statistics as to the estates utilised for housing the working classes by the London County Council and by a quotation from a speech by Mr. John Burns on the Second Reading of the Housing of the Working Classes Bill, 18th April, 1913. The matter was dealt with in this journal at that time. It is quite true that in country districts and sometimes in towns (if lofty tenements are built on comparatively cheap land) that the rent of the land forms a small proportion of the total rent. Even in such cases it might make all the difference between profit and loss to the builder if the land were cheapened in price, while in the centre of populous areas the cost of the land itself is a most important factor. Further, our proposal is not only one for cheapening land but also for relieving houses of rates and taxes which in every case constitute a very large fraction of what the tenant has to pay for housing accommodation.

The whole object of the Land Union is to secure the repeal of the land clauses of the Budget not so much on account of the land value duties (which, as this manifesto says, have produced little revenue and therefore little loss to the landlords) as to insure the scrapping of the valuation. It is undoubted that the valuation has defects and is excessively complicated, but it must never be forgotten that this is the first time that such a task has ever been attempted in this country. We now have very completely a survey and register of all the holdings of land in this country and of all the burdens upon them. This information is of the highest value and is essential to an adequate system of valuation. We are confident that this part of the work has been well and carefully carried out, and we note that the Land Union itself carefully refrains from making any adverse comment on the capabilities of the valuers, "who are carrying out their duties to the best of their ability, acting under exceptional difficulties aggravated by the character of the instructions received from Somerset House." We may therefore be quite confident that if the valuers are asked to revise their work and bring it up to date and are given one simple and straightforward definition of land value that the work could be completed within a few months and a national tax on land values speedily imposed and collected. It is this possibility and the knowledge of how much the valuation has done towards making it an actuality that fills the Land Union with so much disquiet and makes it endeavour to seize a temporary advantage during the present confused state of the political parties. F. C. R. D.

*The HOUSING QUESTION as affected by recent legislation: Reasons for Repeal of Part I. of the Finance (1909-1910) Act, 1910 The Land Union, Price 1s.