

# LAND & LIBERTY

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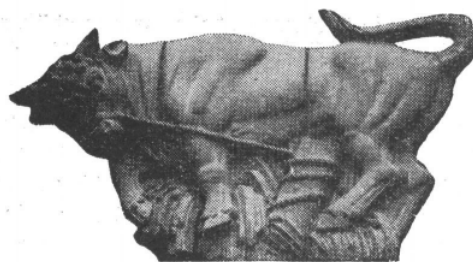


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## A Spurious Approach to Land Legislation

THE fact that land is essentially and significantly different from other forms of property would be regarded as beyond dispute were it not for the persistence of arguments denying such a distinction in order to sustain a case against the special fiscal treatment of land.

"The landowner," says a recent leading article in the *Estates Gazette*, "has always been treated differently from the owners of other forms of property, and almost without exception this has manifested itself in ways that are adverse to his interests. The reasons for regarding land as being different from all other forms of property are traditional rather than logical." And, says the writer, it is open to serious doubt whether the time-honoured hallmarks of land holding, land's permanence and indestructibility, are any longer valid.

The indestructibility and permanence of land are, so we think, still valid concepts but the selection of these two characteristics alone to mark the distinction between land and wealth is, to put it charitably, misleading.

Here are the others:

- \* Land is not man-made;
- \* It has no cost of production;
- \* It cannot be transported;
- \* It is the passive factor in production;
- \* It is fixed in supply;
- \* Its value arises, not from production, but from the possibility of production;
- \* A tax on land values cannot be shifted on to consumers; taxes on products can, and are;
- \* A tax on land values makes land cheaper to buy; taxes on products makes them dearer;
- \* A tax on land values is an incentive to produce but a tax on production is a disincentive;

\* Property in land has not the same moral sanction as property in the products of man despite history, custom and usage.

The writer of the article, in complaining of the "unfair" way in which land holding is regarded as the universal milch-cow, says "this kind of thinking reveals itself in many different forms, most of which are only too well known to any one concerned with the ownership, the management or the development of land."

More specifically, the Labour Government's levy on land is attacked (and its repeal welcomed) together with the "unduly complicated part of the taxation structure" which deals with land. Although we find ourselves at one with the writer in his condemnation of the betterment levy and when he deals with compulsory purchase, government controls, restrictions of land use, rent controls and other state interventions in the property market, this is not because we see no distinction between land and wealth but because betterment levies are worse than travesties of land-value taxation and because government meddling with the market, whether of land or anything else, is always inimical to the best interests of the community.



It might be thought that the *Estates Gazette* is more concerned with the means rather than the ends for singling out land as a special subject for taxation "where an upward variation is directly ascribable to legislation or other government action there seems to be no reason, political or moral, why the state should not claim some part of the increment."

Even this "concession" confining itself to increases in land values only, and even then only those "created by legislation" etc. and still further qualified by "some part" is not real, for he adds "... it is almost impossible to ascribe a part of any increment solely and directly to a particular piece of legislation." Not that it matters. Lip service to land reform, whether from the right or the left and whether in the form of betterment levies, development charges or "capital" gains offers nothing but emasculated versions of land reform.

Either the principles of true land reform are accepted, or they are not; there can be no real compromise or watering down of the ethics involved. And one of the basic principles of land reform is that all land is treated alike irrespective of use, mis-use or non-use and without

special regard for those factors, specific or otherwise, that contribute to, enhance or maintain its market value.

Many of those who support the principle of raising revenue from the economic rent of land in lieu of taxes which fall upon labour, industry or trade, do so largely, if not exclusively, because of the distinct economic advantages that would accrue to the community as a whole; because it harnesses self-interest rather than going against it; provides an incentive to the best and fullest use of our national heritage; makes land dearer to hold but cheaper to use and has the many economic advantages so often stressed, illustrated and confirmed in this journal.

Others see the firm moral principle that separates values that arise from the application of labour and capital on the one hand and those that derive from the power to charge a premium to use the free gifts of nature on the other.

It is strange how the defenders of our present system of land tenure, so jealous of the rewards that accrue to land ownership, docilely accept iniquitous fiscal raids on earned income (and we include interest on capital, in this category), such as death duties, graduated income tax, surtax, capital gains, import duties and purchase tax—all taxes that fall upon the fruits of active and constructive effort.

It is of course not surprising, in view of the legislative muddles consequent upon the introduction of so-called land taxes in recent years, that further demands for treating land as having unique characteristics specially suited for taxation are met with scepticism, if not hostility. The land duties of 1911, the development charges of the 1947 Act and the betterment levies of the Land Commission were travesties of land-value taxation and their effects were of course the antithesis of what was expected and claimed. This has yet to be learned. Certainly Mr. Silkin has learned nothing since 1947, nor Mr. Willey since 1967. Mr. Silkin now speaks of the Labour Government trying to enforce "a decent system of land-value taxation" and promises "a good egg" next time. But it will take more than crowing to produce an egg, and the first thing he has to learn is not to confuse a land-value tax with a tax on development or sale of land.

There are others who see the distinction only too well but oppose land-value taxation because they assume it not to be in their interests and so perhaps welcome the confusion. But land-value taxation properly understood and applied with its concomitant of the reduction of taxes on productive enterprise could be more in their interests than they imagine.

However, for those wishing to understand the fundamental distinction between land and other forms of property and between development levies and land-value taxation, articles such as that we have quoted from in the *Estates Gazette* are not helpful.