

HOUSE OF LORDS DEBATE ON LOCAL TAXATION

In the second reading debate, July 14, on what is called the Valuation for Rating Bill—the measure to amend the provisions for assessing dwelling houses for local taxation—LORD DOUGLAS OF BARLOCH took part and said: “This Bill is only one of a number which have been brought forward from time to time to try to improve the system of valuation in England and Wales. Every one of them has resulted only in making it more complicated and more difficult to operate, and has produced an ever-increasing dissatisfaction. At the beginning of this century the method of valuation in this country, as established by law, had obtained a certain degree of simplicity, at any rate. The only question which required to be answered was this: what would this particular house or shop, or whatever it may be, be worth by way of rent if it was let at the present moment upon a yearly tenancy, upon the conditions that the tenant paid the rates and that the landlord undertook to do the repairs and effect the insurance? That was the one simple question which had to be answered in order to make a valuation for rating purposes in this country fifty years ago.

“In 1896 there was a Royal Commission upon the question of local taxation, presided over by Lord Balfour of Burleigh. The Commission made a number of very voluminous Reports. Among other things they pointed out that there were many parishes in England and Wales, which had not been revalued for twenty, thirty or forty years, with the result that the level of assessments was quite chaotic and this simple question had not been answered. Then came the First World War which, in practice, made the matter still more complicated, because of two things: rent restriction and inflation of money values, which resulted in the old valuations automatically becoming completely out of date. That problem had not been solved by the time the Second World War broke out. It should have been but it was not, and in the meantime a number of other complications had been introduced. De-rating had been evolved at the instance of the present Prime Minister. This is now universally discredited—nobody believes that it does what it was supposed to do, and in fact it results in a new series of inequalities in the burden as between one rate-payer and another.

“Now we come to this Bill. The task of the valuer now is going to be a great deal more complicated. He has not got to answer the question: What would this house be worth by way of rent if it were let at the present day? But he has to answer the question: What would it have been worth if it had been let in 1939? As time goes by, and those who are familiar with the conditions in 1939 are not so numerous as they were, I do not know what kind of evidence is going to be brought forward when these questions are debated before the tribunals to which the rate-payer can appeal. It cannot at any rate be the valuation which was already in existence in 1939, because many of those valuations were extremely inaccurate. It was discovered as a result of samples which were taken that in many cases they were 20, 30 or 40 per cent away from the true value; so the valuation then existing cannot be a standard by which the rate-payer can discover whether the valuation proposed now is or is not a fair one.

“Then we have got all the houses which have come into existence since 1939.

“They have got to be valued upon the assumption that they existed in 1939, with all the surroundings and conditions which they possess at the present day. By way of

example, let us take some of the great new housing estates which the London County Council have built in the vicinity of London, in places where there were, possibly, no houses at all in 1939, or perhaps only a few cottages. How is the valuer to ascertain what rent somebody would have paid for one of those houses if, in fact, they had existed in 1939 with all the surroundings that there are at the present day? And how is the unfortunate rate-payer to inform himself whether the estimate which the valuer has made is correct or not? It will be a very difficult operation indeed, and is not likely to produce a great deal of satisfaction.

“Then let us go on a stage further. There are numbers of other hypotheses which have to be met in relation to some or all of these valuations. Let us look at Clause 2 (5) of this Bill. Here, the valuer is asked, when he is ascertaining what the rental value of the dwelling-house is, to have regard to whether the Rent and Mortgage Interest Restrictions Acts had produced an effect upon the rentals of property in the neighbourhood; and he is also asked to consider whether there was a market scarcity or an abundance of dwelling accommodation or of any particular kind of dwelling accommodation. I do not know how that question will be answered. I do not know what evidence is going to be produced with regard to it—how the rate-payer can check the accuracy of the opinions which the valuers formed about it. Let us look at the last few words of this particular sub-section. The valuer has to assume that

‘all the accommodation in the locality of a kind comparable . . . had been due shortly to become available for letting free from any restrictions . . .’

—and not only that—

‘and without any marked deficiency or excess in the amount of such accommodation as compared with the number of persons acceptable as tenants of such accommodation and genuinely competing for tenancies thereof.’

“How many various hypotheses have been introduced in this remarkable phrase? Look at the last few words: ‘a marked deficiency or excess in the amount of such accommodation as compared with the number of persons acceptable as tenants . . . and genuinely competing for tenancies.’

“But the number of people who compete for tenancies depends upon the rent at which the tenancies are being offered. The valuer is obliged to reason in a circle. This does not provide a solution of the problem, it only makes the problem far more intricate than ever it was before. I defy anybody to conduct a rational valuation by means of that formula.

“The noble Lord who introduced this measure to-day said that the rate-payer would be able to compare his assessment with the assessment of his neighbours, and if he found that he had been over-assessed in comparison with them he would be able to obtain redress. That is not what I understand the law of rating in England and Wales to be. I believe it has been held by the courts on many occasions that it is not a ground for objection to a valuation to say that X or Y in adjoining premises has been assessed at lower values. I do not believe that that has ever been the law in this country. If it is the intention of the Government to make it so, I think it might be a very worthwhile reform, and very helpful indeed to the rate-payer, because he would then have at any rate some objective standard with which he could compare the assessment placed upon his particular house. And it might conceivably save a number of anomalies from arising. But I am afraid that is not the law at the present time. Nor do I

find anything in this Bill which proposes to make it so.

"A good deal has been said this afternoon about the Rent Restrictions Acts, upon the assumption, I think, that the rents fixed by the Rent Restrictions Acts had to be taken into account in making valuations for rating purposes. That again is not the law in this country, as I understand it. I believe it has been held by the courts that the fact of rent restriction has got to be disregarded in making a valuation for rating, and the valuer is not to pay any attention to the controlled rent at which the property happens to be let. If that is so, it merely emphasises the point that the system of valuation for rating in this country had already broken down before the war began, and was not, in fact, being operated in accordance with the law at all. There are innumerable anomalies and inequalities, and this Bill is merely going to build up, on the basis of the anomalies and inequalities which existed in 1939, a fresh set of them to apply to every house which has come into existence since then. It is not a solution of the problem. I think it is merely going to postpone a solution.

"I said earlier that the system of valuation for rating in England and Wales, as it had been evolved up to half a century or so ago, possessed a certain logic. It asked quite a simple question, which it should have been possible to answer with a moderate degree of certainty. There were, of course, a number of difficult cases relating to things like schools, hospitals, gas works, and so on, which in the ordinary course of events, never are let by a landlord to a tenant. But so far as the majority of properties were concerned—those which were, in the ordinary course of commerce, let from time to time—it should not have been too difficult to answer the question. But even if it had been answered correctly, I do not think the result would have been equitable—and that for a very simple reason. The result of this system of rating, quite clearly, is that the better the use anyone makes of a particular piece of land, the better the building he erects upon it, the better he develops it, the more rates he has to pay. And that seems to me to be a very unfortunate result indeed.

"It is of some importance, I think, to remember that in a very large part of the English-speaking world which derived its institutions originally from this country, it has been decided over a considerable number of years to alter the system of rating. In New Zealand, in most of Australia, in the Western part of Canada, and in some cases—but not many—in the United States, it has been decided to base the local rates not upon the value of the buildings and structures, and other things which have been put on the land, but upon the value of the site alone. That system has been working now for fifty years, sixty years and seventy years, in some cases, with perfect satisfaction, with very considerable ease in valuation, and, administratively, with complete efficiency. This was a matter, too, which was considered as long ago as 1896 by the Royal Commission which then sat to inquire into these subjects, and the Chairman, Lord Balfour of Burleigh, and two or three of his colleagues, made a recommendation in this direction. Nothing, unfortunately, has yet been done about it, but it is a subject which deserves inquiry, and, I hope, will receive it, because we must recognise that this Bill at the best is only a stopgap which cannot possibly have any permanent benefit."

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OUR POLICY

LAND VALUE TAXATION AND FREE TRADE

LAND VALUE TAXATION is not taxation on land, but on the value of land. Thus it would not fall on all land, but only on valuable land, and on that not in proportion to the use made of it, but in proportion to its value. It would thus be a tax not on the use or improvement of land, but on the ownership of land, taking only what would otherwise go to the owner as owner, and not as user of the land.

In assessments under Land Value Taxation all value created by individual use or improvement would be excluded, and the only value taken into consideration would be the value attaching to the bare land by reason of neighbourhood, public improvements, etc. Thus the farmer would have no more taxes to pay than the speculator who held a similar piece of land idle, and the man who on a city site erected a valuable building would be taxed no more than the man who held a similar site vacant.

Land Value Taxation would call upon men to contribute to the public revenues not in proportion to what they produce or accumulate, but in proportion to the value of the natural opportunities they hold. It would compel them to pay just as much for holding land idle as for putting it to the fullest use.

Taking for public uses that value which attaches to land by reason of the growth and improvement of the community would make the holding of land unprofitable to the mere owner, and profitable only to the user. It would thus make it impossible for speculators and monopolists to hold natural opportunities—such as valuable land—unused or only part used, and would throw open to labour the illimitable field of employment which the earth offers to man.

FREE TRADE, in its true meaning, requires not merely the abolition of protection but the sweeping away of all tariffs—the abolition of all restrictions (save those imposed in the interests of public health or morals) on the bringing of things into a country or the carrying of things out of a country.

Further, the principle of free trade requires that we should not merely abolish all indirect taxes, but that we should abolish as well all direct taxes on things that are the produce of labour; that we should, in short, give full play to the natural stimulus to production—the possession and enjoyment of the things produced—by imposing no tax whatever upon the production, accumulation, or possession of wealth (*i.e.*, things produced by labour), leaving everyone free to make, exchange, give, spend or bequeath.

BY THESE MEANS the great cause of the present unequal distribution of wealth would be destroyed and that one-sided competition would cease by which men who possess nothing but power to labour are deprived of the benefits of advancing civilization, and wages are forced down to a minimum no matter what the increase of wealth. When men have equal rights to the use of land, the competition among employers to engage labour would be as keen as to-day's competition among men to get jobs, and this would carry wages up to what is truly their natural rate—the full value of the produce of labour—and keep them there.