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THE LOCAL GOVERNMENT BILL

PROMISES UNFULFILLED

THE late Chancellor of the Exchequer, Mr. Dalton, gave repeated assurances that the Government was enquiring into the possibility of embodying provisions for land value rating in its legislation dealing with local taxation. These declarations, made in the House of Commons and at the Bournemouth Labour Party Conference in May and June of last year, and again in the House of Commons in January and May of this year, were not very precise and there was nothing committal about them. Yet coming from that authoritative quarter, they raised such hopes and were taken in such good faith that no fewer than 78 municipalities passed acclaiming resolutions and urged the Government to take speedy action. It was a demonstration of the public sentiment in favour of this reform. But these hopes are disappointed. The Government has produced its legislation and in it there is no provision for the rating of land values.

WHY NOT A LAND VALUATION?

In the debate on the 1946 Finance Act, the Government was urged to proceed with Land Value Taxation. The reply was that this would necessitate a land valuation which could not be undertaken by the Inland Revenue because it had not the staff for the purpose and was too hard pressed with other tasks. That argument is now dismissed under the new Local Government Bill. The self-same Department which was too straitened to undertake a valuation for the purposes of a land-value tax or rate is to be given the staff whose valuers will be engaged upon revising rateable values guided only by the confused and confusing standards of the existing rating law. They will be instruments in the operation of all its anomalies and inequities, when they could and should be employed in ascertaining the separate value of land for public revenue to be obtained from that source and the elimination of buildings and improvements from assessment to taxation. Their training will be directed to the opposite course so that they will better the work heretofore performed by the assessment committees. There will be greater competence, efficiency and "uniformity" in arriving at those rateable values, which in effect penalise all building and improvement, setting assessments high where land is well used and low where there is misuse or neglect. The unrepealed and unamended Derating Act, with the reliefs and privileges it confers, will also put the expert valuers on their mettle. Obedient to the present rating law in all

its respects, they must take it for granted that unused or uncovered land, however valuable it may be, has, as a rateable subject no value whatever. The revision of the rateable values, based on these lines, will not be completed before April, 1952, the valuers being busied also on the apportionment of the £300,000,000 which the Town and Country Planning Act presents to the landed interest.

MEANS TEST FOR LOCAL AUTHORITIES

The Bill proposes a new system of financial assistance from the national exchequer to the local authorities and it provides a new formula for the distribution. The resultant of the proposed changes is that (on the basis of 1946-47 figures) the national exchequer has to find an extra £45,000,000 a year for the sake of reducing local taxation collected in rates by the local authorities.

These subsidies will be paid to counties and county boroughs in England and Wales and to counties and large boroughs in Scotland. The new formula adopted for this distribution will cause the bulk of the money to go to the "poorer" amongst those authorities, that is to say, those whose rateable value in relation to their population falls below the general average for the whole of England and Wales. Their share will be determined by the extent to which they fall below that line. For the others, above that line assistance will be limited to their share of a small "transitional grant," equivalent in the first year to no more than what represents 6d. in the £ in England and Wales and 4.8d. in the £ in Scotland; and this grant will be scaled off to disappear after five years. The "non-poor" areas will be treated all alike, however little or however much their standard may be above the average rateable value per head of population for the whole country.

BURDENS SHIFTED ON TAXPAYERS

In the first place, the Bill takes account of the relief to rates which comes, under other legislation, from the transfer to the national exchequer of the cost of hospital services and poor law administration. The amount of that is now £72,700,000 a year. In the second place, the Bill abolishes the general exchequer grants which, distributed under the involved formula of the 1929 Act, did not weight the benefit to the "poor" areas to the extent that this Bill does. These grants amount at present to £65,400,000 a year. In place of them the Bill substitutes "equalisation grants," which are to be re-calculated each

year under application of the foregoing new formula, so that the amount of them cannot yet be stated. But it is estimated that if the changes had operated in 1946-47, the sum would be £38,200,000. Adding, then, this £38,200,000 to the £72,700,000 by way of relief from hospitals and poor law expenditures and subtracting the £65,400,000 of the abolished general exchequer grants, the net gift to payers of local taxation will be £45,500,000 a year—gift, of course, from the payers of income tax, Customs duties, purchase tax, entertainment duties and all the rest of the nuisance and price-raising taxes which Parliament imposes.

THE POOR SUBSIDIZE THE RICH

Such, in outline, is what the proponents of this legislation claim as a "rating reform." Apart from its inevitable effect in raising rents and proving in the end a gift to ground landlords, let us look at this particular scheme in the way it will affect areas as areas and individuals as ratepayers. Take, for example, the counties in England and Wales. Within them are boroughs, urban districts and rural districts whose condition as to rateable value in relation to population varies very widely. If they are within a county which as a county is above the line, none of them will have share of the equalisation grant, however "poor" it may be by the accepted standard. If they are within a county which as a county is below the line, every district will have a share of the grant, however "rich" it may be. Thus the anomaly will arise of a "poor" district within the "rich" county of (say) Westmoreland virtually paying subsidies to the ratepayers in the "rich" area within the "poor" county of (say) Hertfordshire.

The anomalies and injustices that will arise as far as individual ratepayers are concerned leap to the eye. In the White Paper accompanying the Bill and tabling its estimated results, Manchester, great Manchester, is named as one of the "poor" areas. It will have its rates reduced by 2s. 7d. in the £. Merthyr, as may be imagined, is another poor area; it will have its rates reduced by 15s. 8d. in the £. On the other hand, Newcastle, Bradford and Blackpool are classed among the "rich" areas, not entitled to share in the equalisation grant. The effect will be that the rich ratepayers in Manchester and Merthyr (for there are some) will enjoy a huge share of the grant, while neither the rich nor the poor ratepayers in Newcastle will get anything at all. It will be grand business of the big stores in Sheffield to have their rates reduced by 4s. 8d. in the £ while the hard-pressed householder and "small man" in Bradford, his condition no better than that of his fellow in Manchester or Merthyr, gains no relief. The poor subjected as they will be to more national taxation to provide the grants, will be subsidising the rich. The rating system will continue to endow and protect the land monopoly. The Bill, in fact, will but perpetuate and aggravate the worst evils and inequities of the present order of things.

LARGESSE FOR LANDLORDISM

This Bill to redistribute the burden of local taxation with the aid of national funds, both by its increases of the "manna from the skies" and its new discriminations in the way of this largesse, reinforces the argument that the accompaniment of such schemes must be the taxation or the rating of land values or both. Commissions and select committees have repeatedly emphasised that necessity. But the Government goes blindly forward, completely oblivious to these considerations. There is nothing

to stop this additional £45,000,000 a year, taken from the taxpayers, finding its way into landowners' pockets, just as has happened with the Derating Act, which relieved all agricultural land from any contribution to the rates and allowed three-quarters relief to factories and industrial hereditaments. The present Bill is as reactionary. In the "poorer" areas particularly, which are to get this adventitious supplement to their spending powers, the Government's land purchase schemes for housing, allotments, small holdings, schools and all the rest, will be grossly nourished. The Town and Country Planning Act provided for the purchase of land at "current market value." There should be rejoicing in the landlord camp that this further measure of an accommodating Government has in effect increased the ability of so many local authorities to stand up to the racket.

FORMER PLEDGES

An immense opportunity to do the right and the radical thing has been passed by, to reform the local taxation system so that it takes for the uses of the community the values in land that are created by the community, and untaxes houses and other buildings and improvements. The pledges of the Labour Party were absolutely definite. Behind them are the Snowden Act of 1931, repealed by the Conservatives; the London Site Value Rating Bill, for which the Labour Party failed to get facilities; the London County Council election campaigns, when leaflets and placards intimated that Labour meant to rate land values and no nonsense.

ENQUIRIES UNNECESSARY—ACTION DEMANDED

But how now? The Government has not got beyond the stage of making enquiries. Seventeen months ago Mr. Dalton made his promises. But this Bill appears without any vestige of the result. The gesture is repeated that the Government has no conviction and still awaits advice. Winding up the debate on the second reading of the Bill, Mr. Edwards, the Parliamentary Secretary to the Ministry of Health, intimated that it was the intention of the Minister of Health and the Secretary of State for Scotland to appoint a committee to enquire into the whole subject of Land Value Rating, with announcement to follow of the committee's membership, and terms of reference. Let the enquiry proceed, by all means, if doubt, hesitancy and temporising are all that the Government can substitute for its manifest duty—that of tabling the necessary legislation forthwith. Otherwise such an enquiry is superfluous. But it is amazing that, after all that has been done, after the Bills that were passed by the House of Commons as far back as 1907, only to be rejected and a second time mutilated by the House of Lords, after the proof of the justice and wisdom of the principle in practical operation in many countries, a Government calling itself progressive absolves itself from conscience, conviction and determined action.

"The general body of ratepayers, including the residents, the little shopkeepers, the business men, the lower middle class, the owner-occupier who is purchasing his house under a loan from the local authority or building society—all this body of ratepayers are paying more rates in order that landowners shall pay no rates; and we say that it is unjust, and that it is the duty of the House to give justice to this general body of ratepayers."—*Rt. Hon. Herbert Morrison (now Lord President of the Council) in the House of Commons, February 15th, 1939.*