

LAND & LIBERTY

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New Parliament Hears About Land Values

New Roads Enrich Landowners

The taxation and rating of land values received early notice in the new Parliament. On June 9, during the first day of the Debate on the Address, Mr. C. R. HOBSON (Labour, Keighley) said:

"Immediately we make plans to ease the situation in London and other large towns, by widening the roads, we come up against the cost of land. The Gracious Speech does not refer to that point. Every new road that is made means an increase in taxation. The compensation which will have to be paid to people whose land is used to build the new roads will make costs very high. The Government have made no statement about that; they will not face the problem.

"The value of this land is created by the community. Surely it is just, fair and equitable that the increased value which has been created by the community should be taken back in the form of taxation, either in local rates or in national taxation. Why should the money go into the hands of the few who, by good fortune in many cases, merely happen to own land which is required for this development? If the Government want an economic development they must tackle the problem of the price they will have to pay for the land."

"Absolutely Crazy Rating System"

A week later, June 16, Mr. R. R. STOKES (Labour, Ipswich) endorsed Mr. Hobson's remarks, and continued: "The Gracious Speech made a reference to local government and the problem of local government finance. The truth is that our present rating system is absolutely crazy. If I own a valuable piece of land in the middle of the Borough of Ipswich I am treated like a public benefactor, because, however valuable it is, provided I do nothing with it I pay no contribution towards the rates. If, on the other hand, I am a slum landlord—and we still have some bad houses in Ipswich—and I allow my houses to fall into an even worse state of repair, the town hall writes down my rates and I am relieved of a burden. The only person who gets stung is the diligent, enterprising, energetic chap who improves his houses or estate, because, as a result, his rates go up.

"It is a crazy system. I know that the Government will not take any action because of what I am saying, but I do ask them to consider the abolition of the derating system. I cannot see why businesses like my own should be relieved of 75 per cent of their rates. If the derating system were

abolished it would make a difference of about £40,000 a year to Ipswich."

Mr. Stokes developed his theme in the House a fortnight later, June 30, during the Committee Stage of the Rating and Valuation (Miscellaneous Provisions) Bill, when he sought to have inserted a new clause granting permissive powers to rating authorities to levy rates on the site value of land. His motion was defeated, 168 to 120. The debate is reported on page 73.

A Liberal Member's Strange Excuse

Mr. Joseph Grimond, Liberal Member for Orkney and Shetland, voted against the amendment. According to the *Liberal News*, July 15, he did so "because, though Liberal Members have often spoken in favour of the principle, they felt Mr. Stokes's amendment to an already untidy measure was not the right way of accomplishing what is desired."

Many Liberals will deplore such casuistry.

The Urbans and the Rurals Disagree

The abolition of "derating" would mean "rerating" of agricultural land and industrial premises. On this matter the following discussions recently took place:—

At Blackpool in June the annual conference of the Urban District Councils' Association strongly supported a resolution introduced by Councillor G. F. Swaby, Skegness, on behalf of Councillor A. E. Thompson, chairman of his council, which reinforced previous representations made to the Government for the abolition of derating. Alderman H. G. Short, Slough Borough Council, said that if on occasions some assistance was needed by certain industries it would be better to give this in a way that would not both deplete local revenues and provide relief to other industries which did not really need it.—From *Municipal Journal* report, July 1.

But at Eastbourne, the annual conference of the Rural District Councils' Association was of a different opinion on the matter. A paper was presented by Mr. R. Partington, Eton treasurer, entitled *Proposals for the rerating of agriculture and industry*. It was clear, he said, that the Government did not intend to move quickly on this matter. There was, however, strong support for derating repeal from the Association of Municipal Corporations and from bodies on the fringe of local government. Their own association had declared itself in favour of the rerating of industry and of agricultural buildings but not of land. He contended that

derating was an outstanding anomaly and they should try to remove it without waiting for local government reform.

The discussion revealed widespread disagreement with his views. Delegates contended that rerating might be of doubtful advantage as the extra outlay for farmers and industrialists might be passed on to the consumer in the form of higher prices.

At the conference warnings that government financial aid could not be sought without risking more central control did not go unheeded. Speaking on a resolution urging the Minister of Housing and Local Government to consider making grants to improve pre-war council houses, Councillor H. D. Aronson, Hemel Hempstead, said: "You can't expect to get additional responsibility if you keep asking for more cash payments." The resolution was rejected.—From *Municipal Journal* report, July 1.

Pie-in-the-Sky Roads

Attempts to overcome the formidable obstacles imposed by land monopoly and protection can demand considerable ingenuity. In part, the proposal for overhead roadways advocated by Mr. S. Maynard Lovell, county engineer and surveyor to the West Riding, is an extreme example of the kind of curious adjustment to which manufacturers, traders, planners, and other sections of the community are driven. The following extracts are quoted from a paper entitled *Have we the right plan for the future?* presented by Mr. Lovell to the Municipal Engineers' conference as reported in the *Municipal Journal*, June 24.

"The idea that I have promulgated for quite a long while, is that of utilising the rail and road system as integral parts one of the other, thereby ensuring that you have a completely co-ordinated transport system. To do this I would build the roads over the top of the railways and, of course, electrify the railways . . . Neither do I think we can completely overlook the question of value of land in this country. I think it is of real major importance to us and we are always using land for other purposes than growing food, while the fact remains that our food has to be very largely imported at present. I know what a small percentage of land such a system of roads as we are envisaging will take, nevertheless it is some more land and if it can be avoided then it should be avoided.

"Land is Dear—Only Air is Free"

"Another point in connection with land is that in making the roads in the way I am suggesting there are no land costs at all—or the paper work at present necessary to acquire it. The land is already available except, of course, for the relatively small proportion of railway lines in this country that are running through tunnels or over very high viaducts . . . If necessary, helicopter stations could be built as a third storey to this project. There is one other thing (and this has been supported elsewhere) with the exception of London, railways go right through our cities which the motorway system does not propose to do. This, of course, has a tremendous advantage in that it would provide an easy route for traffic right through our cities, especially when one thinks of the costs given up to as much as £1 million a mile, in America as much as £3 million a mile, for building freeways or the like through our towns . . .

"After all, the only thing left free to us is the air, why not use it? In spite of a certain amount of opposition, I notice in the housing drive all over the world the idea of multi-storey flats is rapidly catching on, again because of the value and cost of land and because the air is free. If you can put houses up in the air why in heaven's name can you not run roads up in the air?"

In fairness to Mr. Lovell we wish to emphasise that many other advantages are claimed for his plan which is not dictated solely by considerations of the high cost of land and the alleged desirability of maximum home food production.

To Pay For Their Air

Under this heading, the following news items appeared in the *New York Times*, June 2:—

"In 1878, when the Third Avenue Elevated Railroad began operation, property owners along its path were compensated for loss of light and air. Now, with the "el" coming down and these commodities restored, the present owners must return something.

"This became known as the City Planning Commission approved a request by Manhattan Borough President Hulan E. Jack to demolish the line from Chatham Square to the Harlem River.

"The cost, Mr. Jack said, is to fall one-third on the city, one-third on the borough, and one-third on the local area of benefit. The last-named will reflect the enhancement of real estate values as well as light and air restoration."

Classical Principles of Sound Finance

The Government's policy for regulating public works received severe editorial criticism from *The Surveyor* and *Municipal and County Engineer*, May 28 issue. With appreciation and due acknowledgment we reprint these extracts:—

"The Government is now regulating more local authority activities and public utilities on what it calls the "classical principles of sound finance." The action resulting from these principles would have been roundly condemned by all the classical economists from Adam Smith to John Stuart Mill. In considering local action, the Ministries are now judging it on what they call the need for the proposals, their soundness and economy. They are paying particular regard to the costs of the proposals in terms of rate poundage and do not like to authorise schemes which would, in their view, impose an undue burden on the ratepayer.

"The great classical economists had very clear views on these questions. They believed that local government should be local and subject to the minimum interference from central government. They believed that local revenue should be managed locally and that the question whether or not the authority could find the necessary funds was a matter for the authority itself. They taught that local public services and utilities increased the value of land in the locality and that this value formed the natural source of revenue for paying for these works.

"Rate poundages have become entirely misleading. No reassessment of rateable values has been made for 20 years. The basis of rates, having been frozen all this time, now bears no relation to reality. In this same period works have been neglected while the cost of restoring or replacing them has risen many times. The result is that the cost of necessary works is out of relation to rateable values.

"The classical economists were strongly of the opinion that local authorities should repay loans within the lifetime of the works for which the loans were raised. The idea was simple. When the works need replacing the debt was discharged. When public authorities borrow money for works and only pay interest making no repayments, it inevitably happens that when the works are exhausted they still have not been paid for. This may be sound finance but it does not sound like it.

"The new policy seems now to be influencing the Minister of Transport. Local authorities applying for authorisation of bridges, tunnels and similar works on their highways are being told that if the works could be paid for by tolls the

financial difficulties in the way of authorisation might be overcome.

"Proposals for tolls involve establishing new authorities to manage particular works. These authorities would exist only to raise the funds, pay the interest, maintain the works and collect the tolls. Again the classical economists had strong views on these subjects. They thought that the public services should be as efficient and cheap as possible and that impediments to trade should be removed altogether. In particular they condemned tolls and similar barriers to the free movement of men and materials on the public highways.

"Proposals for tolls are proposals for taxation on trade and movement. They necessitate the multiplication of authorities and increase of administrative costs. Administration is not productive. Its cost reduces the yield of taxation. The canons of taxation enunciated by Adam Smith run counter to both aspects of tolls.

"What the Government is calling 'classical principles of sound finance' are neither classical nor sound. They belong not to the clear forward looking and radical thought of the classical economists, but to effete theories of finance-by-debt current during the early years of this century. Sound finance on classical lines would aim at radical reform of local government finance, and leave local authorities free to choose how to spend the money their own public works would earn."

Canadian Newspaper on Land-Value Taxation

Canada's national newspaper, the *Toronto Globe and Mail*, called for the taxation of land values in a leading article, June 27. It commended the Ontario Mayors and Reeves Association for rejecting a proposal to support the sales tax as a means of obtaining new municipal revenues:—

"The need of the municipalities is not so much new sources of revenue as a redistribution of responsibilities and a re-allocation of existing tax sources between the Dominion, Provincial and municipal governments. It is to be hoped a similar wisdom will be shown by rejecting another proposal to establish a lobby at Queen's Park [the Provincial Parliament], with hands out all year long in an attempt to pressure the Provincial Government into larger and larger grants. Such measures defeat themselves."

After commenting on the "excessive strictures" against the property tax made by the Mayor of Toronto, Mr. N. Phillips, Q.C., the article continued: "The property tax will undoubtedly remain the primary basis of municipal revenue, whatever reforms may be initiated. In their discussions with the Government, the municipal leaders ought to explore means of making the tax more effective.

"The most urgent need with respect to the property tax is to amend the principle on which it is at present applied. The property tax has two aspects: the tax on the land and the tax on the improvements or the use of the land. As it is now applied, the property owner who neglects his property, or persists in a use which is uneconomic in relation to land values, is favourably treated by the tax collector. Conversely, where a man maintains his property, or improves it substantially, the tax is increased. The greedy and indifferent owner is thus rewarded at the expense of the enterprising and responsible one.

"Much slum property is existing on land that is intrinsically valuable. If it were taxed principally on the land values, there would be a strong incentive to improve the property—to rebuild it so as to obtain higher rents, or to alter its use to commercial or industrial purposes. Slums exist, it should be always understood, because they are profitable to their

owners. The city should not in effect subsidise slums by levying low taxes on them.

"It might not be easy to apply in practice, but there are good arguments in favour of reducing the taxes of owners who maintain their properties in good condition or make the best use of them in conformity with neighbourhood standards, and increasing the taxes on those who allow them to run down. Probably the most effective way to obtain equity in the property tax is to relate it to the land values of the area, properly assessed. By that means, there would be more fairness in application, larger revenues as a matter of course, and in the end a more satisfactory support for the needs of the municipality. We commend this proposal to the Mayor, with a request for some serious study by the special committee of the City Council now considering sources of civic revenues."

Labour Party Pamphlet on Site Values

Since the Tories repealed the inhibiting development charge provisions of the 1947 Town and Country Planning Act, a handful of Labour M.P.s have made numerous speeches in favour of the rating and taxation of land values. Press reports of these speeches have resulted in many requests for official party literature on the subject but as hitherto none has been available, correspondents have been referred to the United Committee. In June the Labour Party repaired this omission by publishing in its new "Viewpoint" series a 32-page pamphlet by Mr. R. R. Stokes, M.P., entitled *The Rating of Site Values**.

Competently and persuasively, Mr. Stokes advances ethical and economic arguments familiar to readers of this journal, and condemns forcibly the folly, injustice and harmful consequences of present rating practice. The extensive section devoted to consideration of why a rate or tax on land values cannot be passed on is extremely well done. A number of carefully chosen instances—some of which have appeared in these columns—illustrate the immense cost of central city sites. Very instructive are the details given of six land purchases made by an industrial concern in Mr. Stokes's constituency of Ipswich, which show how the purchase price per acre in a given neighbourhood steadily increased from £500 in 1902 to £20,712 in 1952.

A brief summary of the extent to which land-value rating is in operation abroad is included, and for more detailed information the reader is referred to the appendix to the report of the Simes Committee (*The Rating of Site Values, Report of the Committee of Enquiry*. HMSO. 1952. 5s. 0d.).

Mr. Stokes is emphatic about the way in which the farming subsidies, except in the case of the marginal producer, fail in their declared object of providing an incentive to increase home food production, and merely raise agricultural land values. "The result is disastrous to the consumer, taxpayer and Exchequer alike." This will cause consternation and, it is to be hoped, hard thinking in some Labour circles.

Morgan Phillips, party secretary, contributes a preface making clear that "these are not necessarily expressions of official Party policy" and curiously describes as being Mr. Stokes's view and a controversial point for debate, the economic fact that a rate on land values cannot be passed on to the tenant.

* Price 4d. plus postage from the Labour Party, Transport House, London, S.W.1.

REMINDER TO READERS

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