

MR PHILIP SNOWDEN REAFFIRMS HIS PLEDGES

"In my only Budget speech I gave a very definite pledge that if I were in office next year I would introduce a scheme for the taxation of land values. I had such a scheme in an active state of preparation."

(From a full-page article in JOHN BULL, 24th March.)

Monstrous Monopoly

The landowner has a monopoly of what individuals and the community must use. He can exact the utmost the users of the land can afford to pay. If they get relief in any direction, or if from any cause, such as increased production, their capacity to pay is increased, the landlord can command a higher rent.

The main factors which determine the economic rent of land—that is, its unimproved value—are the extent of the people's need of the land and the productive capacity of the population.

As land is limited in area, every increase in the population increases the demand for its use for one purpose or another, and this increased demand sends up its value.

Every scientific discovery which aids production; every economy in business organization; every improvement carried out at the public expense; every road made, which makes land more accessible; everything which adds to the amenities of communal life, such as improved transport, electrical development, parks, schools, and improved housing, increases site values.

In order to remove a widespread misunderstanding as to the meaning of "site value," let me explain what it means. The site value is the unimproved value of the land—that is, the price the land would fetch without any buildings upon it, or without any capital having been spent upon improving it.

Importance of Cheap Land

The site value is wholly a social product. It is created by the existence and the activity of the community. It is, therefore, morally and economically the property of the community.

The taxation and rating of site values has this supreme advantage over most forms of taxation. The tax cannot be sifted on to the user or consumer. It will be paid in full by the owner of the site.

Most taxes add to the price of the taxed commodity. But the effect of a tax or rate on site value will cheapen the price of the land. It will do that because the tax or rate will force land into the market.

Cheaper land will encourage building, and the use of land for allotments and small holdings. That will materially help to solve the unemployment problem.

At present, unused land is not rated at all, and there is a vast amount of land which has a high potential building value which is rated at a nominal figure.

Glaring instances of this often come to light when a public authority seeks to acquire land for some public purpose.

Double Burden

The local rates are burdened in two ways by this iniquitous land system. They lose heavily by the gross under-assessment of a great proportion of the land, and they have to bear inflated capital charges on the land acquired.

The system of a separate valuation of the site and the improvements (including the buildings) is widely operated over the British Dominions. In New Zealand, 51 out of 123 countries, 74 out of 118 boroughs, and 17 out of 31 town districts are on the land-value basis for rating purposes.

The most outstanding instance of this system is the City of Sydney, N.S.W. The latest year for which I have been able to obtain the figures is 1926. In that year, a rate of 3½d. in the pound was levied on unimproved capital value, and this realized £656,000, which covered the whole of the annual expenditure of the City Corporation.

Since this system was adopted, Sydney has grown to be the second largest city in the British Empire, its population having grown from 500,000 to 1,100,000 in the last fifteen years.

The new Australian city of Canberra is the latest to adopt the system of deriving its local revenue solely from land values. This system has also been extensively adopted by the Provincial Governments in Canada.

Convincing Statistics

I would like to quote a paragraph from a pamphlet by that able and enthusiastic advocate of the taxation of land values, Colonel Josiah Wedgwood, which gives, from the records of New Zealand, an idea of the vast wealth there is in the site value of a thriving community:

"The unique land-value statistics from New Zealand enable one to trace the growth of the land values from £62,000,000 in 1878 to £339,000,000 in 1925. The growth of land values goes on steadily at the rate of about £20,000,000 a year. The land value per head of the population has risen in the same time from £129 to £241. Of the £339,000,000 of the total land value of New Zealand, £232,000,000 are to be found in the counties and £107,000,000 in the boroughs and town districts."

If the land values of Great Britain bore the same proportion to the population as they do in New Zealand, the total unimproved value of our land would be *eleven thousand million pounds*.

Even if the total capital value per head of the population were only half that of New Zealand, a modest tax or rate of 3d. in the pound would realize over £60,000,000 a year. But, of course, in the absence of an official valuation such estimates can only be approximate.

The first step to take is to re-establish the Land Valuation Department, and then to put in hand a national valuation. Such a valuation should show the unimproved or site value of all land and the improved value of the land. The valuation should be kept up to date, and all land should be revalued at least every five years.

Injustice Removed

Having secured the valuation of the unimproved sites, powers should be given to the local authorities to levy a special rate upon the capital value of the unimproved land.

This system will enable rates to be taken off buildings and improvements. It will relieve industry, and lessen the costs of production. If accompanied, as it should be, by a plan for making the rating areas wider, it will remove the present injustice which the poorer districts suffer.

In my only Budget speech I gave a very definite pledge that if I were in office the next year I would introduce a scheme for the taxation of land values. I had such a scheme in an active state of preparation.

Whatever else the next Labour Government may attempt, it is quite certain it will deal with the question of the rating and taxation of land values.

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