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“Three Times Repealed”

AS previously reported, “war” was declared on the Rating Reform Campaign by the Association of Land & Property Owners in February. The association is successor to the Land Union which was formed in 1909. Its original purpose was to oppose the land value duties in Lloyd George’s 1909 People’s Budget. Tireless and unrelenting, it has fought every attempt to break the land monopoly and to divert any part of the nation’s land rent fund into the public coffers.

The Rating Reform Campaign contends that since municipal expenditure on the provision and maintenance of facilities and services such as roads, drains and sewers, parks, schools and libraries, and much else, increases the value of land, Councils should derive their rate revenue from land values only, and cease taxing buildings. Its case is transparently logical, just and reasonable.

Not so, according to Lord Dynevor, retiring president of the A.L.P.O. The *City Press*, May 6, reported him as having told the association’s lunch two days earlier:

“This is one more attempt to bring about a discredited system”. It had been three times on the statute book and each time has been repealed as unworkable. It went under different names, including taxation of land values, betterment and development charges. “All had a certain specious attraction, but all had failed and been repealed.”

The *Estates Gazette*, May 14, reported that Lord Dynevor expressed the view that it would impose a pernicious form of taxation on the property owner which should be resisted to the uttermost.”

The question naturally arises: By whom has land value rating been discredited? Our information is that it commands broadly based support in those countries where it is in operation. Its steady spread in Australia and New Zealand endorses this.

Lord Dynevor’s remarks are in line with what he said in the Lords in June last year. They are completely mistaken. One would have expected the holder of such an

office—and, indeed, his audience—to have been better informed.

Apparently Lord Dynevor regards the Lloyd George legislation of 1909-10 and the financial provisions of the Socialists’ Town and Country Planning Act, 1947, as the taxation of land values. They were nothing of the sort. Philip Snowden’s 1931 Land Value Tax was the only measure of its kind ever to grace the Statute Book whence it was removed by political chicanery before it could take effect. Several land value rating Bills have been presented in Parliament during this century but none has been enacted. Lest Lord Dynevor’s remarks gain currency it seems prudent to recall the nature and outcome of the three principal measures.

The Finance (1909-10) Act, 1910 contained, *inter alia*, provision for a valuation to be made of the whole country and for the imposition of three so-called “land value duties”, and a Mineral Rights Duty. In contradistinction to the taxation of land values as properly understood, the taxes were selective and discriminatory. When land was sold or transferred a tax of 20 per cent was charged on any increase in its value; leasehold reversions were subject to a 10 per cent tax and undeveloped land was subject to an annual tax of one half penny in the £. The valuation was needlessly complicated, four different values having to be ascertained for each property and a fifth in the case of agricultural land.

A government revenue bill redefining “full site” value was introduced in 1914 but the advent of war prevented its passage through Parliament. It would have provided a firm basis for the straightforward taxation (and rating) of land values.

By the Finance Act of 1920 the duties were repealed and the valuation discontinued. The Conservative-dominated government refunded to land owners what they had already paid in land value duties. As the late Sir Edger Harper, former Chief Valuer to the Board of Inland Revenue subsequently remarked: “To say—as our

more unscrupulous opponents do—that the taxation of land values has been tried in Britain and has failed, is not only untrue, it is the reverse of truth!”*

THE 1931 legislation provided for the land of Britain to be valued and for a national tax of one penny in the £ of the unimproved capital value of land. These proposals were contained in the Finance Bill introduced by Mr. Philip (later Lord) Snowden, the Labour Chancellor, which received the Royal Assent on July 31.

A month earlier, Mr. Stanley Baldwin, Conservative, declared during the debate on the proposal for a land-value tax: “I can say one thing about it, that if we get back to power, that tax will never see day light.” So it proved. A crisis toppled the Labour Government and on August 27 a Conservative-dominated Coalition took over the reins.

At first opportunity—on December 8—the new Conservative Chancellor, Mr. Neville Chamberlain, announced the Government’s decision to suspend the making of the valuation and to disperse the staff engaged on it. The decision was taken, Mr. Chamberlain stated, “without prejudice to the merits of the plan”. The flimsy pretext was that “the Government felt that, in present financial conditions, they would not be justified in incurring further expenditure upon an object which in any case could not produce any return for a considerable time.” Seven months later the suspension was given legal force by the passage of the Finance Act, 1932. The Chancellor again pleaded economy as the reason while Mr. Baldwin resisted an Amendment for repeal on the grounds that such action would not be playing the game.

Two years passed. Presenting his Budget statement on April 7, 1934 the Chancellor gave no hint of the Government’s intention to repeal the Land Value Tax. This was concealed until the Finance Bill was published on May 9. A letter which a large number of Newspapers printed was sent to the press by the United Committee for the Taxation of Land Values on May 11. Three paragraphs may be quoted:—

“The proposal now before Parliament to wipe this legislation off the Statute Book is a breach of all these pledges. Financial necessity can no longer be pleaded, but this was always so much hypocrisy. If the legislation had been allowed to operate, the nation this year would have been deriving a substantial revenue from land values. Instead, nearly £60 millions additional revenue is being obtained from tariffs. The Finance Bill which is now making this surrender to the landed interests, shifts still further the burden of taxation from concentrated wealth upon the general masses of consumers and mainly upon the poorest section of the community.

“The hopes of many hundreds of municipalities that have agitated for a reform in the rating system are now

* See Lloyd George’s Land Taxes, paper presented at Edinburgh, 1929, Extract reprinted as leaflet available free on request.

checked or held in abeyance. The 1931 Finance Act laid the basis of a far-reaching measure of land value rating that would have released the stranglehold exercised by the land monopoly upon better housing, road and street improvements, urgent requirements in the way of parks and open spaces and every effort in the way of municipal expansion.

“A Government, now revealed as a purely Tory administration, has legislated almost every day for subsidies and special favours to those elements in society that aim to live on the rest of the people through one or other form of privilege or monopoly. A Government elected on other issues and with the emphatic pledge, repeatedly uttered by responsible Ministers, that there was to be no partisan manoeuvring, has obeyed the behests of those who benefit from that monopoly which does the greatest hurt of all to society. It is a betrayal that should be exposed and denounced in every constituency throughout the land.”

Stung by this and related action, the Prime Minister, Mr. Ramsay Macdonald took the remarkable step of writing to the United Committee. His letter, dated May 14, contained this extraordinary admission: “It may be argued that the step which has been taken indicates the power of certain interests”. This amply confirmed the United Committee’s charge, as the then secretary, Mr. A. W. Madsen, wrote in reply, adding: “No one can know better what influences have been brought to bear than yourself as Prime Minister.” The correspondence was printed in the principal daily papers throughout the country though one or two, including *The Times* and the *News Chronicle* chose to ignore it.

Thus ingloriously perished the only land value taxation legislation Britain has ever known. The facts provide their own comment on Lord Dynevor’s reported statement that it was repealed as being “unworkable”.

SINCE it is fresh in the recollection of most readers, the Town and Country Planning Act, 1947 may be discussed more briefly. The title conveys its purpose—it was not a revenue measure. State permission had to be obtained before any piece of land could be developed (or redeveloped), and a “development charge” had to be paid to the Central Land Board set up to administer the Act. This represented the difference between the “existing use value” of the property and its value with benefit of permission to develop. A global sum of £300 million was to be set aside as compensation to landowners for loss of development rights.

These provisions bore not the slightest resemblance to the taxation of land values. They left society’s land rent fund in private ownership and frustrated development. From the outset they were resolutely opposed by the United Committee and its journal, *Land & Liberty*, and were later rightly repealed — as unworkable — by the Conservatives. Before then, however, the Site Value

Rating Enquiry Committee (the "Simes Committee") was appointed, charged with the task of ascertaining whether it was "practicable and desirable" to rate land values, "having regard to the provisions of the Town and Country Planning Acts". Here, surely, is proof positive that the 1947 Act was anything but the taxation (or rating) of land values. Both the Majority's and the Minority's Reports further emphasised the point.

THE record is clear. Neither the national taxation nor the local rating of land values has ever operated in Britain. Nor has legislation for either reform ever been repealed as "unworkable". The land value policy has been "discredited" only by the agents of the powerful land monopoly who have consistently resisted it "to the uttermost" and by those who did not understand it.

Lord Dynevor's charge that the taxation of land values is pernicious (*i.e.* "destructive, fatal, ruinous"—O.E.D.)

is the wildest exaggeration. For it to be literally true, land values would have to be taxed 100 per cent immediately and even then only those whose financial interests were exclusively confined to land values would be "ruined". There is not the remotest possibility that the Single Tax will be introduced "overnight", nor does anyone seriously suggest that it should be. It is highly improbable, too, that there is a single person in the whole country who has all his money tied up in land values.

No, what is pernicious is the land monopoly and wrongfull taxation. Between them they have killed and maimed people on the roads, smashed businesses, sapped independence and self reliance, despoiled the countryside and blighted the towns, cooped people in noisome slums, broken families and blackened with poverty the lives of those too old to work. The grim catalogue could be extended indefinitely.

Outer Space and Inner Space

Editorial reprinted from *The Master Builder*, May issue

THIRTY years ago in Clapham—now regarded as an inner London suburb—the L.C.C. began buying up and demolishing large Victorian properties and building blocks of flats on the cleared sites. Today, in places like Sutton, right on the edge of the green belt, the process is being repeated by private-enterprise builders. The significant feature of this slow process is that once it is complete there will be no building land left. Already, these firms are leapfrogging the green belt and building in quantity on the other side.

What is going to happen to our already overburdened railway system and site values is not really our present theme, although these are pressing problems. The greater and more immediate concern is that development along these lines is essentially slow and haphazard. The prime difficulty is the unwillingness of owners of decaying properties on valuable sites to sell out. Sometimes they are elderly people who are paying low rates; sometimes they are speculators hanging on to vacant properties, who pay no rates at all. In short, the overall plan is being warped by the retention of an outmoded system of local taxation originally intended to ensure fair treatment for all.

We all know what we pay today and on what basis and scale. The possibility of change, and even the need for it, is almost beyond the conception of many. Assuming that there could be a drastic change, and that the proposals of the rating reform campaign could be accepted, what would be the effect on building?

To start with, the basis of charge would be on site value rather than on what had been done with the site by way of improvement. This means that either the older generation, still clinging to uneconomic houses, or the proprietors of the hotels and boarding houses into which these houses have been converted, pay rates based on a full ex-

ploitation of these acres, or they put them up for sale.

Assume they are offered for sale: the immediate result, in a system of site-value taxation, is that whether sold or not, whether occupied or not, whether fully exploited or not, and whether or not large or small buildings are erected, these sites are taxed at the full rate. The rate is the same whatever the degree of exploitation. The amount of money that has to be paid is the full amount irrespective of whether the site is bare or full, used domestically or industrially.

Since every land owner in the district is in the same boat it is pretty safe to assume that building land values* will take on a realistic average, with owners anxious to sell and with no funds to pay rates from while holding out for higher prices.

Once the planning authority lays down (under site-valuation taxing) the scale of housing in any neighbourhood then all the spare land is thrown on the market.

It has taken the L.C.C. thirty years (wartime influence excepted) to soak up all the spare land in Clapham with higgledy-piggledy buying and development. Sutton is going to suffer in the same way, not giving the planners (those poor unfortunate souls who spend their time groping in the dark and who need all the help any source can provide) the slightest chance of taking a good look at their overall problem.

From study of the mass of material the rating reform campaign of the Land-Value Taxation League provides it would seem that there is sound case for reform on their lines. The building industry would do well to give this campaign very close study indeed. The theory has been well tried elsewhere; it *could* work here.

* This deliberately omits consideration of differential value, which is not affected.—Ed. Master Builder.