

THE LAND CRISIS, 1960

*Statement by the United Committee for the Taxation of Land Values
Addressed to all Members of Parliament*

WIDESPREAD concern over the rampant speculation in land is exercising the best minds in the political and economic fields. Land speculation, a permanent evil of our economic system, has now reached serious and alarming proportions, and we submit that if steps—the right steps—are not urgently taken, we are in for a slump of some magnitude.

Just before the crash in 1929, the Magazine of Wall Street said: "Every panic in our country has been preceded by an orgy of land speculation—the culmination of every period of prosperity is a land boom, and then comes panic." Should not this be taken as a clear warning?

Meanwhile, the scramble for land gathers momentum and we are already experiencing a foretaste of what is to come. The land question is thus in the forefront of politics. It overshadows all other issues—exports, imports, the Bank Rate, hire purchase, etc. It will not respond to the push-pull technique of political and economic manoeuvring.

Our system of land tenure, morally wrong and economically foolish, is at the root of many of our social problems, and this is becoming increasingly apparent as the grip of land monopoly grows stronger. These problems appear at first sight to be separate and independent of each other, but there is an unmistakable connection between them. The housing problem is largely a land problem. Increases in house prices are outstripping the savings of married and engaged couples, and other would-be house-owners; many have given up in despair, tired of the treadmill of land prices. As leases fall in and old buildings come down, the speculators are waiting to snap up the site at prices which sometimes frighten even themselves. The notorious take-over bids—signs of the times—are not made for mere bricks and mortar which soon find their way to the rubbish dump, but for the land beneath.

Local Authorities watch helplessly and despairingly as their funds, wrung from hard-pressed ratepayers, and spent on public improvements immediately add to the value of surrounding land. When they in turn need land, they are asked to pay the market price, often inflated grossly beyond its economic value by the speculative element.

Land, the source of wealth and the working and living space of the nation, has become a luxury. This dear, dear land has indeed made a shameful conquest of herself. The outspoken statement of Sir Basil Spence, when he addressed the Royal Institute of British Architects and spoke of land speculators holding the community to ransom by cornering land, was but one protest among many.

But it is no use blaming land speculators so long as we maintain the system that encourages them. While that system permits this gambling in the life-blood of the nation, there is an open invitation to take advantage of it.

The responsibility for changing the system, for ending land speculation, rests solely on you, the legislators of Britain. The problem is too wide to leave to the planning experts; too grave to shrug off in the hope that it will solve itself; too vital an issue to be the football of party politics. In this connection, Lord Halifax speaking in the House of Lords in November 1949 said of the Taxation of Land Values: "I would have supposed that the principle so laid down had, on the whole, established its victory in the political field irrespective of party".

The situation demands bold and statesmanlike action—not along the lines of temporary expedients. Among the hastily thought-out measures being offered as "solutions" is a capital gains tax on "land profits". This is no answer. It would not make land more available or reduce its price. More likely it would inhibit sales. In any event it would inevitably promote shady deals behind the scenes.

Price control would likewise be ineffectual, dealing with effects instead of causes. One certain consequence is that there would be a black market in land. In Germany today, where such a black market exists as a direct result of price control, the Government is already preparing to abandon controlled land prices, substituting a site value tax on building land.

To encroach on Green Belt and so-called "white" areas, will simply give the green light to speculators. For so long as idle land carries no tax, it is the ideal investment for the speculator.

To economise in the use of land by the building of many-storeyed flats, may not in itself be a bad thing, but as a remedy for the land crisis, it underestimates the size of the problem, and is hopelessly inadequate.

Nationalisation of land—whether of urban or rural land, or both—is a frightening alternative. Apart from the flagrant injustice of buying back the land at the fantastic prices ruling today, the countless millions of pounds to be added to the National Debt thereby would be crippling to any economy. It is also utterly unnecessary.

The only just and effective remedy for the evils of land shortage, speculation and ransom prices is Land Value Taxation. A stiff annual tax on the value of land, regardless of its use, misuse or non-use, would produce a sharp reaction. The tax would be a charge on *land holding*, not on *land using*. The parasitical practice of land-hogging as such would be so actively discouraged that undeveloped

and underdeveloped land would become a liability. Land holders, anxious to rid themselves of their liabilities, would compete for customers. This would increase the market supply and reduce the price. *The process would begin immediately the Government disclosed its intentions.*

Land Value Taxation would ensure the development of land *naturally*, for the land value tax would be a standing charge, payable whatever use is made of the land, and would *not be increased as a result of redevelopment and improvement*. All the incentive would be to make the best use of land, for it would not be in one's interest to do otherwise. The full use of natural resources would, more than anything else, stimulate employment.

Land Value Tax revenues could be a welcome substitute for purchase tax, income tax or the unpopular Schedule A Tax.

This is not the time to debate the refinements of theory, or to drag out stock objections, nor to take refuge in the oft repeated fallacy that Land Value Taxation has been tried and failed.

For the genuine doubters, some unadorned and unadulterated historical facts may be helpful:-

The Lloyd George Land Value Duties of 1909 *WAS NOT THE TAXATION OF LAND VALUES*. It was a travesty of it. Land values as such were not subject to a general tax (for the full story see "Lloyd George's Land Taxes" published by this Committee—free, and post free).

The Snowden Act to tax land values (1931) was repealed before it was put into operation, the valuation being suspended immediately the National Government took over after the economic crisis.

The notorious financial provisions of the 1947 Town and Country Planning Act were the very antithesis of the Taxation of Land Values, for the development charges fell according to the development, not according to the market value of land—and even then only upon property where a change of use took place, all existing land values remaining untouched. Like our present rating system, the development charges put a penalty upon improvement and a premium on idleness.

The much-quoted Simes Report on the Rating of Site Values has to be read again in the light of the now-obsolete development charges, the Simes committee having been instructed to take these into consideration in their findings.

The case for the Taxation of Land Values is conclusive, sound in theory, practical and well-tried in application overseas, and it has an unassailable moral basis. Well-intentioned but misguided attempts to deal with the problem of land monopoly by any other measure than the Taxation of Land Values can only meet the same fate as previous compromises.

LET US NOT MAKE THE SAME MISTAKE AGAIN.

—For the United Committee,
V. H. BLUNDELL, Secretary.

An Auctioneer's View

A PAPER on "The Trend in Land Values" was presented by Mr. Douglas W. Gilpert, F.A.L.P.A., Past-President, to the Incorporated Society of Auctioneers at their recent Bournemouth conference. Britain, he remarked, was now entering upon an era of land famine. A conservation policy was needed, as a part of which expanding industry must be concentrated where there is high unemployment and where specific trades have declined. Alternatively, in order to prevent an indefinite sprawl of established centres, balanced new towns must be created.

"Assuming that satellite developments of rural centres are the only solution, then, in compulsory purchase, section 9 of the Town and Country Planning Act, 1959 ensures that the value of land acquired will be calculated without regard to any increase of value attributable to the scheme for which the land is required. This section allows authorities to lay down a foundation of new development without being laid open to the payment of a 'market value' price based upon a level of value which the authorities themselves have created. Otherwise, but for this section, compensation would have been at a full market value derived from a fortuitous appreciation in value. The operation of section 9 provides a safety chain whereby, in the changing pattern of development and town planning, values can be prevented from rising to a premium level beyond the reasonable datum line of economic trading in the case of existing towns that must be regarded as fully grown."

In passing, Mr. Gilpert mentioned how "a prosperous state of affairs shows an inclination to react to the detriment of the estate agent"—scarcity and rising prices has made the sale of houses so easy that many owners are selling privately instead of through estate agents.

The prices and values of residential properties and land depended to a very large degree upon the building societies' operations. Market values hinged on credit. "The substantial loans made available during the last 12 months have enabled prices not only to be maintained but to show a rise of some 5 per cent or more. This has brought the prices of second-hand houses to a level that is over three-and-a-half times their pre-war level. In the case of new freehold houses the costs have risen, or otherwise ground rents of leaseholds have risen, by reason of the increased cost of the land. This can sometimes cause a tendency towards inferior construction or smaller plans as the builder endeavours to maintain prevailing prices . . .

"While for years we have lived under continued expansion, a deterioration in the economy could cause a fall in prices regardless of personal needs and demands and of the dearth of land."