

Professorial Endorsement

RATING of site values and income tax on property were discussed by Professor Philip H. White, of the University of British Columbia, when he addressed the annual conference of the Royal Institution of Chartered Surveyors at Leicester. According to the *Municipal Journal*, July 14, he said that if occupation rather than ownership were taxed and the basis of assessment was annual value attributable to existing use only, there was little chance of taxes exceeding current revenue; and owners could always avoid payment by leaving property vacant. In such cases redevelopment assumed no urgency. But if the basis of assessment were site value, taking into account potential as well as existing use, and the legal liability were placed on the owner rather than the occupier, then the situation would be reversed. As site values increased with improving prospects of redevelopment, then taxes would increase with a diminution in the net returns from current existing use. In this situation there would be a positive financial incentive to end existing use as soon as possible.

Crossing Swords With A Valuer

FOUR articles on land value rating have appeared in recent issues of the Rating and Valuation Association's journal — two contributed by Mr. V. H. Blundell, and two by critics. One of these, Mr. T. G. Young, A.R.V.A., has practical first hand experience of the system under review for he is town valuer of Umtali, Southern Rhodesia. Part of Mr. Blundell's subsequently published comments were as follows: "Mr. Young has my sincere sympathy for having to perform the 'impossible' task of apportioning land and improvements. If I were a valuer in Southern Rhodesia I, too, would strenuously object to the system of rating sites and properties separately, but the answer to that particular headache is to cut out the valuing of buildings and improvements and simply to confine the valuation and rating to the sites alone.

"In asserting that site value rating was designed for developing practically virgin land, Mr. Young is completely wrong and, as a consequence, his subsequent arguments have no point. When the sceptic challenges the practicability of the rating of site values, one is entitled to point to the evidence of other countries. The rating of site values is not designed exclusively for industrial, undeveloped, or predominantly agricultural countries (supposing such classifications could be so rigidly applied): it is a system based on principles of moral justice and

economic common sense, which has universal application and universal merits. So far as this system is concerned, the economic development of a country is as irrelevant as its climate. Nor, for that matter, is it the object of site value rating to force the 'right' type of development in any given location. What is the right type of development anyway? Surely what Mr. Young is objecting to here is not the system of rating but the system of *town planning*. Whether planners are competent to decide on what use should be made of land, whether their decisions prove to be good or bad, whether they cause hardship, or whether they should be making such decisions at all, is beside the point. I can see nothing wrong in shopping areas, residential areas and office areas being 'mixed up'. Under site value rating the normal processes of supply and demand would decide the best use of land: no one would be forced to go anywhere, but each land user would be obliged to pay according to the value of the site he occupied irrespective of the use to which it was put."

In the same issue was a letter from Mr. W. E. Fox, a Fellow of the Rating and Valuation Association and Member of the United Committee also dealing with Mr. Young's article.

Building Society Movement Alerted

THE *Building Societies Gazette* last month contained two letters advocating the taxation of land values as the means of bringing down house prices. Both were from Mr. V. H. Blundell, United Committee secretary and were prompted by the widely noticed article which Mr. W. A. Greene, Chairman of the Waltham Abbey Building Society had contributed to the June issue. One appeared in the correspondence columns; the other was quoted in full by Mr. Greene, to whom it had been addressed, in a further article. The latter went on to quote from the August 1960 *House & Home* supplement which Mr. Blundell had sent him and which he had read with much interest and, apparently, much approval to judge from his concluding paragraphs as follows:—

"The correspondence columns of the *Gazette* are available for readers to ventilate their views on a theme that is deserving of serious thought. Land — the oldest asset in the world — is front page news today here and elsewhere. According to the special supplement of *House & Home* previously referred to 'This is our land — millions of miles of it — but the home-builders vote 4 to 1 that land is the most critical problem.' If that is true of America, that vast country, it is true even more so of this tightly packed island home of ours.

"This is a problem, the solution of which, I believe, in part lies within the competence of the building society movement, whose every-day activities have to do with land and what is built on it. We are not

simply an organisation for receiving peoples' savings and lending them out on mortgages, well secured on property 'suitable for building society mortgage'. That is our prime, but not exclusive, role.

"The function of the modern building society movement is ever expanding and assumes greater importance as the movement allies itself with national and international concerns. These include better designed housing, the best use of the quickly dwindling acreage of available building land and the arrest of the rising spiral of house prices.

"Let building society practitioners, at least, examine the problem of property values and exchange their views through these columns. It is a matter that should concern every building society director and executive. Ultimately, it is a matter affecting the nation's economic structure."

In his letter to the editor, Mr. Blundell wrote in part: "Since the largest single factor that is pushing up the price of houses is the cost of land, it is from this angle that the problem should be approached. If building societies 'curtail drastically' the sums lent on mortgage, they will be responding naturally to the laws of supply and demand, but they will in no way be easing the problem of home seekers. Having the interests of these people at heart, building societies must look for and support measures to bring down land prices.

"A number of propositions have been made to deal with this problem, e.g. land nationalisation, price control and capital gains taxes. But these are sterile and defeatist remedies for a situation which cries out for radical treat-

ment. The best and surest way to ensure that speculation in land comes to an end, and that all usable land is brought into use or on to the market for others to use, is to render it uneconomic not to make maximum and immediate use of land resources — for this is where the trouble begins.

"The surest way to do this is to put a stiff tax on land values irrespective of whether the land is well or poorly used, or whether it is used at all. Land, having this liability attached to it would become 'hot' to hold idle or under-developed.

"The revenue derived from taxes levied upon land values would then enable us to reduce the present taxes now falling upon labour and capital.

"The fact that economists divide the factors of production into *mutually exclusive categories*: land, labour and capital, is not without its significance in looking at this particular problem. Taxes upon the products of land tend to decrease production, while taxes upon land have the opposite effect.

"Building societies will be doing a service to their borrowers and to the community generally, if they will exert their influence in favour of the taxation of land values, for until this specific remedy is applied, land prices will continue to climb and the fruits of material progress (of labour and capital) will continue to be siphoned off in the form of high premiums for land use and the ambition of most people to own their own house will remain a permanent pipe-dream."

Mr. Nigel Birch On INFLATION

Forthright Speech by Tory Ex-Treasury Minister in The 'Little Budget' Debate

"**T**ODAY we are mourning the sixth foreign exchange crisis since the war. There have been three under each Government." The main reason was that after the war, Britain had set out to do a great many things. "We set out to make a great figure in foreign affairs, to have a great financial policy, to be armed with the latest atomic weapons, to have the best social services in the world, to secure a vast expansion in our educational policy, to sustain under-developed countries and we sought to lend and invest in developed and under-developed countries all over the world."

We had taken on rather more than our resources would really allow. Fundamentally that was why we had so often got into difficulties. Things

would have been better had we been willing "To scorn delights, and live laborious days;" but we were not.

"Although Conservative freedom has worked and has been more rational than Socialism, under both systems there has been inflation and we have had crises in our balance of payments. On top of this overstraining of our economy, we have, by agreement with both Front Benches, done things which really do not make economic sense.

"It is a fact that in this country we cannot expand faster than our increased exports allow and the whole of our export trade is carried out by private enterprise. The capital needed to expand those industries has been pre-empted by nationalised industries, which really have been bad

bargains to the country. For example, coal.

"Since nationalisation, capital expenditure on coal has amounted to £963 million. In 1960 the output per man year was lower than it was in 1937 and today one can import coal to South Wales coming from West Virginia more cheaply than it can be produced in South Wales. Neither Front Bench, as far as I know, is keen to import coal from West Virginia — so, up goes the price of steel. I think that the humanity of the House will allow me to draw a veil over the record of British Railways.

"On top of all this there has been a tendency to back the losers, to subsidise declining industries — cotton and the new Cunarder, for example.