For Field And Village

Countrymen should support the Campaign to secure land value rating

HOW would the farming community be affected? This question is often put to those who urge that Council rate revenues should be drawn exclusively from the annual rental value of land with all buildings and other improvements exempt from local taxation. Usually it is asked by urban ratepayers who are quick to grasp how they personally would benefit from shifting rates off buildings and on to site values. Their altruistic concern for the welfare of country dwellers testifies to the average person's sense of fair play. Harnessed to enlightened self-interest, this potent force will secure reform.

Questioners have other considerations also in mind. Would the countryside, already despoiled, be ravaged by a new onslaught of bricks and mortar if the tax brake were taken off development in the way proposed? Would not a crippling burden be inflicted on "our agriculture" which we, the British taxpayers, have so generously supported for so long? Would not self preservation compel farmers to "pass on" their rate burden, plus a percentage profit, in the prices they charge for their produce so that food would be dearer in the shops?

These are important questions, easily answered. They show that our vaunted political maturity is not matched by economic literacy and reveal how well The Great Secret has been kept. The area of a farm compared to that of a site of a house, shop, factory or other rateable property at first glance suggests that the land value rating policy is unfair to farmers. Doubts about its economic wisdom arise from the mistaken belief that land is the farmer's "raw material".

What is land value? Why should it be "singled out" for taxation? Broadly speaking it is the annual rental value which a section of the earth's surface — covered with natural growth—would command in the free market if offered on a perpetually renewable tenure. (The same test is applied in towns.) The value of manures, drainage, crops, hedges, and the like — the result of recent human effort on the land in question—is excluded. As a matter of practical convenience, however, any remaining value due to past levelling, clearing, draining, etc—improvements which have "merged" in the land—is treated as land value. (The Danish practice, which might well be followed here, is to so treat all improvements made more than 30 years ago.)

By definition, therefore, no recent, present or future improvements of any kind would be rated. Thus there is no question of production being impeded or penalised. The right of the individual to the results of his own efforts and expenditure is scrupulously upheld. When only land values are rated, Councils cease to be parasitical sleeping partners in every privately undertaken improvement; by collecting for the benefit of the local community a part of the "position value" of land they become truly the servants of the people. No individual can create "position value"; conversely, people cannot congregate without doing so. This is the moral basis on which rest all arguments for the local rating (and national taxation) of land values.

There is no single answer to the question with which we opened: How would the farming community be affected? The community comprises those who let, those who own and those who rent farms, as well as farm labourers and those who live in the villages and those engaged in ancillary rural industries. There are, too, the sons of farmers and others who aspire to become farmers. Moreover, farms vary greatly in size, value and standard; some are near the great industrial centres and others are remote from transport and markets.

While it can truthfully be said that none would "suffer"—for that is far too strong a word—from the adoption of land-value rating, it is not denied that some would have to contribute more than at present towards the cost of local government. This is simply because they are now paying too little. Their extra contributions would lighten the unduly heavy load which their neighbours are carrying.

Since 1929 farm land (and farm buildings other than dwellings) have been blotted from the assessment rolls. Our proposal is that farm houses, in common with all other buildings, should be rate-free and that all farm land (and all other land throughout the country) should be assessed at its current free market rental value and rated by the local authority. Additionally, liability to rates would be transferred from occupiers to those in receipt of the value that attaches to land. As a result many sections of the farming community would either gain absolutely or would be virtually unaffected, finding themselves with only a pound or two more or less to pay than at present.

Smallholders spring immediately to mind. They pay far more in rates on their dwellings than they would have to pay on the unimproved value of their holdings. Those who hold on lease at current market rental would benefit absolutely — they would cease paying rates altogether. This applies to every tenant, whatever the size, value or type of his holding, who is paying a current market rental. Nor would their landlords be able to increase their rent and thus "pass on" the rate in another form. It is a proven economic fact that a rate or tax on land rent stays put and cannot be shifted. Hence the opposition this reform encounters.

Where, however, tenants are paying their landlords less than the present annual value of their holdings they are themselves enjoying a part of the land value and accordingly they would have to meet a part of the land-value rate. To illustrate: the tenant of a 100-acre farm worth £5 a year to rent who pays annually only £400, would pay one-fifth of the rate. Many are in this position but under the operation of the Agriculture Act, 1959, their number is dwindling; the trend is towards market rents.

Many working owners of farms in remote districts and those whose land is difficult to farm or of poor natural fertility stand to gain from the adoption of land-value rating. For reasons we need not repeat, tenants of such holdings would gain even more.

Less fortunate would be the working owners of valuable large farms. Their rates would rise. But this would not involve hardship. They would simply relinquish to the local community annually a part of the rental value which they have done nothing to create. It would be spent on the provision of services and amenities which they enjoy (or are free to enjoy) in common with their neighbours. When it is considered how expensive roads are to build and maintain, how severely heavy farm vehicles punish road surfaces, and how negligible is the value of an inaccessible farm, the justice of charging rates against benefited farm land is readily appreciated.

A rate (or tax) on land values has certain economic effects. One is to make land cheaper. The selling price of land has a direct relationship to the annual rent. When the prevailing rate of interest is 5 per cent, land sells at roughly 20 times the rent. To illustrate: A piece of land worth £1,000 to buy would let at £50 a year. A 10 per cent rate (or tax) on that rent would leave the owner with an income of £45. If he sold he would receive twenty times this sum, i.e. £900. This cheapening of land is economically and socially of first-class importance. It would increase the present very limited opportunities of farmers' sons, farm labourers and others to get a farm of their own. It would make more money available for machinery and other equipment with which to increase productivity.

The land-value rate would exercise a gentle but firm and continuous pressure on working farmers of uneconomically large farms to hive off a field or two and offer them for sale or to let. This, too, would increase opportunities and improve agricultural efficiency. It would help to arrest the drift from the country to the towns and cities. It would increase independence and self reliance and would add a layer or two to the "Property-owning Democracy" which it is the government's declared aim to build.

Rating reform would greatly benefit the villages. Most householders' rates would be sizeably reduced. Since rural rates are high and wages are comparatively low, and the ratio of pensioners to working people is high, this would be a boon indeed. In the main the little country shops could also expect rate reductions. Even if for some the rates were increased the traders could have no complaint; their customers would have more to spend with them. Land would be cheaper and this, subject to planning considerations, would make it easier for go-ahead people to start new local enterprises, a rate-free garage or a small pottery or something of the sort on a scrap of idle land. With the rate base broadened by the inclusion of thousands of acres of farm land and their own buildings exempt, villagers would be less chary in asking the council to improve amenities and, of course, they would be better able to improve their own homes, etc.

Fears that this incentive form of local taxation would destroy the countryside are groundless. For one thing, present planning control would not be abandoned simply because the source of local government revenue had been changed. More important: urban land would be more fully developed as a direct consequence of the new system and this in turn would reduce builders' and home seekers' demands on rural acres.

From all this it is clear that the farming community as a whole would benefit greatly if the archaic nonsensical system were replaced by the just, simple and streamlined alternative we propose. Practical overseas experience amply supports our purely theoretical presentation. Australia, New Zealand and Denmark each have a thriving agriculture and in each the rating of land values operates in the country districts as well as in the towns and cities. To what extent this agricultural prosperity is attributable to the rating method employed is open to discussion but its existence is indisputable.

In conclusion two points may be briefly addressed to farmers who mistakenly see the proposed reform as an urban plot against them. First, it has to be remembered that land value is heaped up in the towns and thinly spread in the countryside. A few urban acres are worth more, and would contribute more in rates, than hundreds of acres of farm land. The latter is changing hands at prices ranging from around £60 an acre for rough grazing to £100-£200 an acre for good arable and dairy pasture land. (These prices contain an element due to improvement.) Building land for residential purposes on the outskirts of even moderate sized towns, on the other hand, is fetching £5,000 to £15,000 an acre and is dearer still in the commercial parts of towns. The second point is that in addition to a local rate on land values there should be a national tax on land values, the revenue so derived being used to reduce present onerous taxation. Farmers pay taxes on their income and everything they buy for their personal consumption as well as for use on their holdings. They should welcome general tax reductions and support the only practical policy there is for achieving them—the taxation of land values. The drive for reform of local taxation complements and strengthens the parallel campaign for reform of national taxation.