

LAND & LIBERTY

MONTHLY JOURNAL FOR LAND VALUE TAXATION AND FREE TRADE

Fifty-third Year—No. 629

4 Great Smith Street, London, S.W.1

October, 1946

3d.

	PAGE		PAGE
Manchester Municipal Conference	183	Successes in Victoria	187
Cream from the Experts	184	Mr. Herbert Morrison's Speeches	188
Local Taxation in Ireland	185	Amends to a Borough Treasurer	190
Could Clitheroe Do It?	187	Liberal Views	191

THE PROPER SOURCE OF PUBLIC REVENUES

Paper submitted to the Association of Irish Municipalities at Killarney, September 19, 1946

"We vex the poor with indirect taxes, we squeeze the rich, we ransack heaven and earth to find some new impost palatable or tolerable, and all the time these hardships go on, neglected or misapplied, there have lain at our feet a multitude of resources ample enough for all just common wants, growing as they grow, and so marked out that one may say they form Nature's budget. Such seems the rationale of the subject of which the land question forms a part. And so we may say that, if property in land be ever placed on a theoretically perfect basis, no private individual will be the recipient of economical rent."—Sir John (later Lord Justice) MacDonell, in his book, *The Land Question* (1873).

The subject on which I am privileged to address this Conference is the Rating of Land Values. Many questions of a practical nature arise, but before consideration is given to them, it would be advisable, I think, to find agreement if we can on the moral justification of a proposal which is so intimately associated with property rights. The argument that a thing is just precedes the argument from expediency. When we have a clear understanding of what is meant by "land values," we shall better appreciate why they are selected as a peculiarly fitting source from which to draw the public revenue, while at the same time we take taxation off "the work of man's hands."

LAND AND ITS RENT

The eminent jurist, Lord Justice MacDonell, in the book from which I have quoted, examined the nature, the origin and the function of the rent of land. His conclusions serve my purpose so well that I take leave to quote him again:

"Of the total proceeds of any acre of ordinary land, so much is the return on the permanent or durable capital—drains, fences, etc.—invested therein; so much is the return on the circulating capital renewed annually, or at short intervals; and the residue is ascribable to permanent and inherent attributes of soil, situation, proximity to markets, roads, railways, etc., and to what I may term the general state of society. That the first part should accrue to the landowner if, as not unfrequently happens, he furnishes the capital for permanent improvements, is right; that the second should go to the usufructuary or farmer is also clear; and what seems equally indisputable is that the last, consisting of economical rent, should go to the general body of society.

"It having been shown that 'economical rent' is paid for differences in quality and situation of land, created by no man, or that it originates in circumstances not to be credited to the landowner, it would naturally have been expected from Ricardo's principles would have been unanimously and instantly deduced the conclusion that economical rent should

not become the subject of private property, that no private individual should be permitted to monopolise 'the original and indestructible properties of the soil' and what no man had created or earned by labour of his no man should own.

"It would have been only natural for all who accepted the preceding account of rent to hold that rent which proceeded from the common labours of the community should belong to it, that wages were not more fitly the reward of the labourer, or profits the reward of the capitalist, than was rent, as Ricardo understood it, the appanage of the community or State."

And further:

"Since the State, ever needy, is compelled at present to draw its revenue from taxes which are a hardship to all, and a grievous burthen to the poor, it is no paradox to affirm that the maintenance of the State should be provided, as far as may be, out of those funds which Nature herself seems to have appropriated to public purposes, arising as they do out of common or public exertions."

TESTIMONY OF LAND AGENTS

Many other writers have of course stated these truths with equal clarity, proving that the rent or value of land is a community product and that its rightful place is in the public treasuries. Lord Justice MacDonell described it most aptly as "Nature's budget." But we can pass from the more theoretical or academic argument to supporting testimony from quite a different source. It is provided in almost any advertisement of land for sale. I take for example the vendors' announcement when the Southgate estate in Middlesex was offered in the market. The prospectus gives this description:

"Most suitably situated for residential purposes. Close to the railway, with rapid transit to the City and West End. Frequent service of buses to Charing Cross and Victoria. Gently undulating ground. Good air at an altitude of 277 feet above sea level. Access to drainage, gas and water and electric mains, all ready to be tapped. A public park to be laid out by the local Council and new broad town planning roads. And other facilities, including the main railway line to King's Cross with its station to Oakleigh."

In this instance the factors which give land its value are shown to be a desirable situation, the proximity to a great city, the air above the sea, the speed and comfort of modern transport, the benefits of public enterprise, and in general all the advantages that attach to the land by what nature and the community have done to make life worth living at that spot.

It is thus that the value of land is everywhere created and

maintained, being high at one point and low at another, all according to advantage of situation and the surrounding facilities for business, trade or dwelling purposes. Observe how it varies as you pass from the centre of a town to its outskirts. Consider the phenomenal height to which it rises in the heart of big cities, as for example in Liverpool, where land has been sold at the rate of £238, £317 and £330 per square yard, corresponding to an annual rent of from £50,000 to £60,000 per acre. One acre of land there commands as much rent as 100,000 acres of average good farm land; and from pounds to a few pence or less per acre there is every variation in the value of land used for agricultural purposes.

MORAL CONSIDERATIONS

All I have wished to establish up to this point is that whether the value of any land is high or low, it is never due to any industry or enterprise on the part of the land holder. It is the resultant of the presence and activities of the community, and the community's title to its use and enjoyment is indefeasible. These ethical considerations carry us on to the counterpart of the Rating of Land Values, which is the exemption of buildings and improvements. The community has its title to what it produces in the value or rent of land, but it has no moral title to what it does not produce. Buildings and improvements are private property, the result of individual industry, enterprise and thrift, and they should go unscathed. Just taxation resolves itself into this clear distinction between what belongs to the community and what belongs to the individual.

RESULTS OF BAD TAXATION

The present system of local taxation is based on the annual rent obtainable for any property if let for a year in its existing condition. Land and buildings are lumped together, no distinction being made between the value of land and the value of any buildings or improvements standing thereon. The burden falls wholly upon the occupier, so that he has to make the double payment of rent for the premises and rates to the local authority. The operation of this system causes the taxation to fall on *the use* that is made of the land; the better the building or improvement, the higher is the tax. If a derelict or out-of-date building stands on valuable land, the property has a low assessment, because the rent obtainable for it *in that condition* is low. If the valuable land is vacant or unused, the assessment is a nominal figure or nothing at all. Thus the economic effect of this mode of taxation is to discourage the making of improvements, to penalise industry, to add to the cost of houses and other buildings; to give a premium to the withholding of land from its best use against the anticipation of higher prices or rents than would-be land users are willing or able to pay at the moment.

Under these conditions land monopoly exercises an evil influence inside and around the towns and over the countryside as well, causing artificially increased rents and limiting opportunities. Low wages and unemployment are its fruits.

SOME ILLUSTRATIONS

Example after example could be given of the contrast between the market value of such land and its present rateable value, or of the rates leviable on it, under the existing system; but a few illustrations can stand for the rest. These I have to take from England, but I am sure you can supply many similar instances from Irish experience, the Irish local tax system being the same as the English.

The Southgate estate I have mentioned was withdrawn at auction after £85,000 had been bid for it. Of its 102 acres, 96 were in agricultural use and the annual rates were only £3 8s.; the remaining six acres had buildings on them, on which the rates were £135 8s., a total of £138 12s. Judging

by the amount of rates levied, the "rateable value" was £300 at most, but the withdrawn figure of £85,000 shows that the true annual value was something more than £3,400. The sites required by local authorities for housing, schools, hospitals, open spaces, street widenings, etc., provide notorious examples of the same kind of thing. In Bristol, £106,666 for land previously rated at £271 a year; in Sheffield, £10,452, previously rated at £8 18s. a year; in Leeds, £16,798, previously rated at £20 a year; in Stoke-on-Trent, £16,798 for land which previously had no rateable value at all; and so on.

ADOPTION OF THE LAND-VALUE POLICY

Little remains to be said about the faults and failings of the present rating system. The alternative proposed is the Rating of Land Values and the exemption of buildings and improvements. This requires a valuation, showing separately for each piece of land its true market value apart from any buildings or other improvements upon it, and would include all land used or unused and whether built upon or not. The local authority would levy its "land-value rate" on those values. The obligation to pay would rest on those who at present receive or enjoy the land value, each contributing the due proportion corresponding to his interest in it. These are briefly the mechanics, so to speak, of the matter. The economic effects can be appreciated and I hardly need dwell on them. The best use of land would be encouraged instead of being stayed as at present. The withholding of land from use, or its best use, would be made unprofitable. The competition of land coming into the market would reduce the general level of rents. Housing, town planning and all desirable developments at the hands of the Council and the citizens themselves in their private capacity would be facilitated.

PRACTICAL QUESTIONS

Could this rate on the value of land be passed on in higher rents and prices? What would be the financial effects of the change in respect of each and every property? Are there any difficulties in the making of the necessary valuation? These are some of the inquiries we meet with. As to the first, all economists agree that such "passing on" is impossible, but it can be held for further discussion. As to the second, the question assumes that the town is obtaining the same revenue from land values as it was obtaining from rateable values. Accordingly those properties will pay less where this relationship, land value to rateable value, is less than the general average over the whole town (and they are the vast majority). The underdeveloped property will pay more and the vacant land still more. At the centre of the town, however, where land values are always highest, you find also that even for improved properties their land value is higher in proportion to the rateable value than the average over the whole town. Accordingly they will pay more under the change. The question is of especial interest to owner-occupiers, since they are ratepayers under either system—as occupiers under the old and as owners under the new—and it can be said with all confidence that they (excepting in that inner ring where land values are so high) will gain financially by the change. (I have a note here to mention, if time allows for discussion, the insight of the Danish small peasant proprietors into this aspect of the question which made them such strong advocates of the Land Value policy; and to the results of the survey made by Mr. H. Bronson Cowan into the operation of Land Value Rating in New Zealand, Victoria and New South Wales.)

Finally, as to the necessary land valuation, this is a matter of correct legislative definitions, of having competent valuers and wise methods of procedure, all aided by full publicity. It should preferably be undertaken by a specially appointed

Valuation Department independent of any tax-collecting authority. Any question of difficulties in ascertaining separately the value of land, apart from buildings and improvements, is fairly met by what has been accomplished in other countries, including Denmark, Australia, New Zealand, South Africa, the Western Provinces of Canada, California, Pennsylvania, where in greater or less degree the principles of Land Value Rating are in operation; and in Ontario and many cities of the United States, the separate valuation of the land value is the established practice for arriving at correct assessments of all real estate. Most interesting and instructive to us is the example of Denmark. The whole country is mapped for the valuation and the maps are published for any one's inspection, so that the valuation authorities have the co-operation of the public in arriving at generally agreed results. Every town, every district has its own map, so that street by street, and holding by holding, the visual demonstration of the land value is given. For streets it is the frontage value at so many

crowns per square metre to a given depth. Interesting, too, is how those differences in the value of land, to which I have previously referred, are revealed. On the main shopping street of Copenhagen, the land value is £20 more per square metre on the one side than on the other, reflecting the fact that the pedestrian traffic is so much greater. The valuation is made periodically once every five years, over the whole country. It was due to be made in 1941, and had to be postponed during the war; but as soon as liberation came it was undertaken for 1945 and completed within the year.

The adoption of the principle of Land Value Rating in all the countries I have named and the practical experience of its operation are conclusive arguments, besides all that is to be said for it as a matter of justice, which dissolve every doubt that the policy is good for Ireland, for Great Britain and every country in the world.

A. W. MADSEN.

MANCHESTER CITY COUNCIL TO CALL A CONFERENCE

AT ITS meeting on October 2, the Manchester City Council unanimously adopted the resolution that the General and Parliamentary Committee should call a representative conference of Lancashire and Cheshire local rating authorities to consider the advisability of joint action to secure powers from Parliament to levy a tax on land values.

The resolution was moved by Councillor Herbert Eastwood, who is to be congratulated on gaining this support from the City Council so that it will again give a lead in the municipal demand for Land Value Rating. An exceptional opportunity is now presented for the thorough discussion of the subject in the Council Chambers of the local authorities concerned. Explanatory literature is available for all individual Councillors and the United Committee and the Manchester Land Values League will be happy to engage in its wide and effective dissemination.

It was at Manchester that the impressive National Conference to promote the Taxation and Rating of Land Values, convened by the United Committee and the Manchester League, was held on February 15, 1930. The enthusiastic response to it had much influence on the Government of the day, persuading in particular the then Chancellor of the Exchequer, Mr. Philip Snowden, that he could and should go ahead with the legislation that led to the Land Values Budget of 1931. Six hundred delegates were present, including 182 from 71 local authorities. The late Mr. Joseph Toole, M.P., presided and among speakers to the resolutions were four other M.P.s and Aldermen or Councillors from Glasgow, Manchester, Disley, Wigan, Stoke-on-Trent, Burton-on-Trent, Bristol, Doncaster, Smethwick, Keighley, Clydebank, Newcastle-on-Tyne, Stockport, Beswick and other places.

Important Conferences of local authorities in Lancashire and Cheshire were also held in Manchester on December 29, 1929 and July 15, 1930. These were convened by the Manchester City Council and arose out of the resolution adopted on July 4, 1929, on the motion of Councillor Arthur H. Weller. The resolution declared that in view of the favourable attitude of the Government to the policy of taxing land values it was the opinion of the Council that the time was opportune for steps to be taken to relieve houses and shops from the burden of rates by rating land values, and giving instructions to call a Conference. The Lord Mayor, Mr. R. Noton Barclay, presided at both these Conferences the second being the resumption of the first. Among the speakers who took a prominent part, it is interesting to recall the names of Councillor William Noble of Stockport, Councillor George Jennison of Disley, and Councillor Maurice Eschwege of Liverpool. Mr. Weller

was also well assisted by Councillor Herbert Eastwood who was then a member of the Bolton Council and is now in Manchester, as stated above, heading the agitation for the reform. In this record of helpful effort we must not overlook the able contribution of Mr. Sydney Needoff, B.A., who was a member of the Manchester City Council for a number of years until the elections of November last year. He is standing again at the forthcoming elections and the main plank in his platform is the Rating of Land Values.

QUESTIONS FOR CANDIDATES

The United Committee is issuing postcards to our supporters with the following questions for them to submit to candidates standing at the November Municipal Elections:

- 1.—Do you agree that the value of land is due to municipal expenditure and to the presence and activities of the community, and should be assessed for public revenue?
- 2.—Will you urge your Council to press for the necessary legislation to enable local authorities to rate land values and relieve houses and other buildings from rates?
- 3.—Do you agree that the rating of valuable vacant or underused land at its true value will prevent speculation and encourage the better use of land?
- 4.—Do you agree that the first step in rating reform must be a valuation of all land for the levy of rates upon its true value (exempting buildings) and as a basis for fixing its price when it is required?

If you have received one of these cards, you are urged to attend election meetings and to put the questions verbally so that the audience hears them and the replies. Invite friends to join in this method of publicity. For our records, send the replies of candidates (naming them and their parties and wards) to LAND & LIBERTY, 4 Great Smith Street, London, S.W.1.

It will be useful also to write personally to your candidates saying you are an elector, and putting the questions to them, sending us the replies.

Supplies of explanatory literature for distribution, and copies of the postcards, will be sent on request; but please say precisely how many of either you can handle.

A Free Copy of "Land & Liberty" is an invitation to become a Subscriber. 3d. Monthly. By Post, 4s. Yearly; U.S.A. and Canada, \$1.