

AGRICULTURE AND LAND VALUE TAXATION

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I approach this subject as a practical tenant farmer* of about 4,000 acres, and of thirty years' standing experience, and as a descendant of generations of farmers and smaller landowners, and I shall deal as far as I can with plain realities.

The present system of Rating of Agricultural Land in Scotland. What it is:

Up to 1896, the rates, which were levied on the gross rent either as actually paid, including interest on money spent by landlord, insurance premiums on

buildings, or as assessed by the County Assessor in the case of occupying owners, were divided equally between the owner and occupier.

In 1896, the occupier or farmer was granted relief, which was made up by the State, of five-eighths of his rates.

Again in 1923 further relief was given both to owner and occupier so that now to-day the owner pays on three-quarters of the rent and the tenant pays on one-quarter of the rent; the deficit to the country being made good by the general taxpayer.

All these "reliefs" were heralded as "relief for agriculture"—"help for the farmer," etc., etc., by their sponsors, but, of course, as we all well know, under a practically uncontrolled system of landlord and tenant, the ultimate goal of the relief given was the landlord alone, who very shortly appropriated it in increased rents and price of land.

The latest de-rating Act—the Local Government Act, 1929—finally relieved agricultural land of all rates entirely, and farmers are now to be rated on the value of the *houses* only—on the actual value in England and for convenience in Scotland, the value of the *houses* is to be taken at one-eighth of the gross rental.

So now landlord and tenant will each pay rates on one-eighth of the gross rent. These total reliefs mean a present of about £3,000,000 per annum to the landowners of Scotland, or say, £60,000,000 capital, which is much more than half the capital value of the agricultural land of Scotland in 1928. A fair average rate prior to the 1929 Act was about 5s. per £, which meant that on a £640 rent, the owner paid £120 and the occupier paid £40. In future each pays £20 only, the owner receiving £100 relief and the occupier only £20.

The new plan definitely frees bare land from rates and throws these all on houses. That is, on all houses in the county, whether on farm or not. The houseowner and occupier are in fact to bear the whole burden, while the landowners are to go scot free, and retain all their powers to extort ransom prices for land for building upon, for roads, for water to drink, for

wayleaves, even for ground to be buried in. The holding up of land is to be encouraged by the removal of all rates, and profiteering and speculation will be the greater on that account. The deficit to the county rates is to be met by a worse tax still, viz., the petrol tax.

I venture to suggest in no political partisan spirit that this de-rating Act is a most vicious and retrograde step, and should be repealed absolutely. This is a fine chance for the new progressive government to show its mettle. Instances can be given in plenty to show that rates in the past have risen or fallen according as the farm was improved, or allowed to deteriorate. It is obvious that the new de-rating of land will merely enrich the present landowners and leave the industry penalized by the increased and inflated values that the farmer must pay for his land either to rent or to buy. The real farmer wants *cheap land* and anything that makes it dearer is to his disadvantage. Every tenant (*i.e.*, six farmers out of seven) may be faced with "buy or quit" any day, and as a potential buyer he will, if he buys, merely pay increased interest on the higher purchase price, instead of rates.

Briefly, to sum up, the present system penalizes the tenant farmer, the public, and the landowner who improves the land; while it benefits the mere profiteer and rent receiver. The great point always forgotten by agricultural landowners is that they get nothing of the vast land and site values in towns, which going into private pockets cause increased taxes on production and increased prices, and it is little chance the country landowner has of getting his fingers into this "golden pie." Even through plain self-interest the improving rural landlords should welcome a system of taxation on unimproved values, rather than on the present one which rates and taxes all improvements. On all counts, therefore, the present system stands condemned from an agricultural business point of view.

LAND VALUES

The taxation of land values applied to the towns must also be applied to the country, as it is impossible, even if it was desirable, to draw a dividing line. I take it that all rural estates would be assessed on their bare land value exclusive of improvements and then be rated on that value. We will be told the old tale that the land has no value and that the "building and drains, etc., would cost more to replace than the whole farm is worth." This is quite futile, because it is not the replacement value of a lot of antiquated equipment that is to be considered, but what the land would be worth without it, taking into consideration the presence of public roads, railways, telephones, etc., provided by the public, and also the proximity of markets, etc. It is easily seen that the land will be worth a very fair figure.

Take a typical example. A big farm which I know, was let, unreclaimed and practically prairie land, eighty years ago, at £760. It was reclaimed and enormously improved at great expense and ultimate profit by the tenant, who as his reward had his rent raised at the end of the lease by the landlord to £1,350, since reduced to £900. Obviously, here the landlord, as in most cases, did NOT supply the permanent equipment or the reclamation costs, and this equipment is now necessarily becoming obsolete. Hence we see that in this case there is a definite land value which I would put about

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£500 per annum. However, it is enough to show that the problem of assessment would be as simple as at present.

As regards effects. The landlord would have to meet the land values tax out of rent. Rent is what the farmer has to pay for the privilege of being allowed to farm land, so it is reasonable that the landowner should pay a tax for the privilege of being allowed to OWN land. Even supposing the land value tax came to as much as the old rates, it would be no worse than before, and the rates were, indeed, getting very near in some instances to a full land values tax.

In any case, since the tax falls on rent, it cannot harm real agriculture or the farmer who pays the rent. The rent comes out of the land and its subsequent taxation is not a matter affecting the farmer except in so far as it lightens his own taxes and cheapens the price of such land as he has to acquire.

As the land values tax rose other rates and taxes would fall; and it is reasonable to think that with the assistance of the enormous urban land values, general taxation would decrease so that the agricultural owner would be paying less in total rates and taxes than he does now. He would, further, only be paying on his unimproved value and would not be penalized if he improved his holding.

This is the crux of the thing. Encourage the improver but rate the waster as high as if he had improved his land. In other words, tax both alike on the land or site value. The good or improving landowner would gain and would pay less *in toto* than now. As regards the *farmer*, he would benefit by not being rated on improvements and the rate on land values would tend to keep down the price of land. Rates and taxes do not ultimately affect the farmer as the landlord ultimately meets all taxes by lower rents, just as he appropriates all reliefs and improvements by higher rents. The farmer would get his goods cheaper because of lowered costs of production due to taxes transferred to rents and taken off industry.

The demand on the part of tenants for security of tenure and fair rents may well be met by suitable measures to remain in force at any rate until such time as the land value tax was much higher than it would be to start with. Even with the full taxation of land values, there would always be a number of people willing to own land and to buy it under any conditions, because of the power and prestige ownership even then would probably give, along with sporting rights unless they were abolished.

It must always be remembered that under a landlord and tenant system, unless rigorously controlled, every benefit accruing to agriculture from research, education, improved methods, co-operation, credit, relief of taxation, etc., all merely goes to enhance land values.

We will be told that if we tax rent the landlord will be unable to maintain or improve his property. As a matter of fact he does not really maintain his property now and never wholly did, as our utterly inadequate and tumbledown farm buildings and drains too often prove. ALL the reclamation work was done by the tenants and the resulting improvement was confiscated by the owners. Most landlords are becoming more and more mere rent receivers who know little and care less about agriculture and who hand the management over to city lawyers and factors who are equally indifferent, with instructions in many cases to spend nothing unless forced to and instructions also to extract all they can. There are plenty of exceptions to the above, but it is rather the rule than the exception. Lord Bledisloe, a Tory landlord and late Parliamentary Secretary to the Minister of Agriculture, has said all that and more.

The actual effect will be quite the opposite, because

under land value taxation rates will *not* be levied on improvements as now but on bare land values, so the landowner will be encouraged to improve his property as he will not be penalized by having to pay more rates on his new improvements.

The solution of the agricultural rating problem as I see it is to tax the unimproved value of the land, to leave improvements untouched, to treat the owner as a rent receiver and tax rent as such, to give full security to the occupier to improve the land and farm to his best, and to guarantee him against eviction and increased rent. No State assistance by way of subsidy, protection or anything like it should be given, since agriculture, if free from the incubus of landlordism, is a perfectly prosperous business even at present prices. There is nothing much wrong with the prices of produce. It is rent and prices of land alone that are too high, and the rents which should be spent on improvement are spent otherwise and elsewhere.

I would suggest that in actual practice a beginning should be made by raising a fixed minimum proportion of the rates from land values and gradually increasing the proportion as experience directed until eventually the whole of the rates fell on land values and none on improvements and houses. After that the relief of other taxes could be proceeded with.

A final commentary of the existing system is suggested by an excerpt from the minutes of the standing Joint Committee of the County Councils of Roxburgh, Berwick and Selkirk, as follows:—

“That the Chief Constable be requested to instruct his officers to report to him with a view to the information being communicated to the *County Assessor the erection of any new buildings and the alterations and additions to existing building which they may observe.*”

The County Assessor will then promptly *fine* these people who have made improvements by increasing their rates. What a job for the police!! Yet under our present rating it is necessary. Surely the most hardened diehard must see the foolishness of a system that employs the police to report, as if they were guilty criminals, those who actually build houses. *Verb. sap.*

How ridiculous the system now is can be seen when one thinks that next year a group of village workers' houses—joiner, blacksmith, masons, etc.—say a dozen houses—will actually be paying more rates than the adjoining owner of a £1,000 a year farm. Look at it as one will, it is plain that the people who actually live on the land and work on it, and who live in the villages will all gain by taxation of land values, whilst the good landlord will at the worst be no worse off but will probably be better off, and only the bad landlord may be worse off, and the land speculator and profiteer will be heavily taxed. The cheapening of the costs of production in towns will vastly help the country, and prosperity in towns always means more customers and better trade and prices for the farmer's produce.

Mr J. R. Hermann, of Portland, Oregon, writes: “Your September issue (reporting the International Conference in Edinburgh) came just in time for me to use at the Labour Convention. I hung the picture of Henry George over the Speaker's stand and referred them to the Conference and then read the names of the Members of the English Labour Government endorsing it, and pleaded that we send a similar statement, namely, ‘That we stand for everything you do.’ It was a great educator and came just in time. It brings the two worlds together, and the visit of MacDonald has helped in the same direction.”