

WHO'S AFRAID OF S V R

by Frank Othick



THE *Layfield Report* said "The passing of the Community Land Act, providing for development values to be realised by local authorities, has now effectively removed site value rating from consideration."

That was in March 1976. A few years later the Community Land Act was repealed.

It would be surprising if the paranoid dislike of site value rating displayed by functionaries in Whitehall, politically suspicious parliamentarians and professional operators who dislike change in a form of local taxation which assures them of at least some of their earnings, will make much of a concession in spite of repeal.

But times change and the rating system which has helped sustain the remaining independence of local government is under attack for a new battery of reasons. It is no longer just an unfair tax because of alleged inequities and widespread avoidance. It is an important piece in a political game.

The Conservatives are no longer the sole abolitionists. They have been

joined by Labour's Environment Spokesman Gerald Kaufman and by David Owen a leading figure in the Social Democrats.

It has been elevated into a threat to struggling industry and commerce with the Confederation of British Industry rummaging around for relief to businesses to which until very recently rates constituted only a small part of overheads; and itself forgetful or fearful of an opportunity to plead for rate help for its members from the biggest industry of all – agriculture, presently enjoying complete rate relief on its agricultural land and operational buildings.

Rating is now a tool for the arch demolition expert, the Environment Secretary. History will record the sum total of benefits he has bestowed on housing, planning, local finance and on local government itself. It is to be hoped that the survival of these crucial social and constitutional bulwarks has not been impaired by his brand of reform. By the time the election hustings are reached in 1983 or 1984 the party struggle for the favours of the electorate may have elevated rating into a social, economic and political disaster, together with local government.

Now what is the purpose of the opening citation and the catalogue of rate-bashing developments? Simply, to emphasise how ephemeral are many basic objections to established functions and operations, how deadly inter-party guerilla warfare can be when the political pendulum is all too often the signal for savage, speedy rejection of a preceding government's achievements and the pushing of so many human activities into a further restless limbo. Completely *unstable* government, with all its deadly consequences.

The purpose is also a plea for *seeking* stability in the method of financing local government. That is at least one essential factor in maintaining effective and publicly useful local government.

But where to start? Consider the background to the present situation. To abolish rating is to economise (at least in theory) in valuation and administration. And if the economy makes abolition impossible there could still be a search for *economy* in some other way. To abolish rating eliminates the problems of inequity and unfairness (to whatever extent these exist). So there must be a search for *equity* without abandoning the system altogether. The chances of the valuation office of inland revenue offering acceptable career prospects

to new professional entrants simply evaporated when it was summarily ordered to achieve arbitrary staff reductions. The same arbiter advised the public to tear up the department's forms of return and effectively smothered any more revaluations on the present basis. So for practical purposes inland revenue staff can no longer function fully and effectively in the important field of rating. Yet any chosen valuation agency must guarantee *efficiency* if for no other reason than to secure economy and equity.

If, therefore, these three tests – economy, equity and efficiency – can be seen as those which have influenced the Government, the CBI, numerous pressure groups, alert politicians of all parties and the daily press, perhaps wisdom lies in searching for a property tax which truly meets those criteria plus, since we are assuming a wise solution, *simplicity*.

It is no use pretending that overnight the deep prejudices against site value rating will be overcome. What could be useful is a reopening of the whole question. That alone would replace the present uncomfortable vacuum on abolition. The need for investigation is clear, not by Whitehall mandarins, and not by lawyers and valuers who can so innocently but effectively transform a method which ordinary people find simple in principle into a veritable witch-doctor's paradise.

The valuation office of inland revenue has managed, it is said, to maintain valuation lists for over 30 years on a basis of assessment which has been gradually losing its true raw material – rental evidence.

This ability has been sustained to a large extent, certainly with dwellings, because comparability has been accepted.

This has covered the cracks by at least giving ratepayers some means of redress where uniformity does not exist. If, for site value purposes, the authorities seek statutory guidance of the simplest kind and avoid the complexities of ownership, planning and other refinements so much exploited by critics of site value rating, they may make a start on the basis of an easy fit. This is no place to develop this important part of the system but I wonder what would be disclosed to a joint committee of the Lords and the Commons by a variety of expert witnesses faced with the prospect of, perhaps, an ad hoc valuation authority responsible for rating valua-

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Frank Othick is secretary of the Land Institute

Mark. A. Sullivan explains

WHY I AM A SINGLE-TAXER

MY philosophy has always supported equal access to the earth and equal participation in all affairs that directly affect the community. "Self-government" accurately describes this position. As I see it, every person should have an equal share in the ownership of society (of its land and of its collective services) and an equal voice in any necessary social decisions. It is axiomatic that this involves equal liberty and respect for everyone's desire to be free to control his or her private affairs. It can all be summed up thus: absolute individual sovereignty over personal affairs and equal individual sovereignty over collective affairs.

One collective affair is the matter of land tenure. Since your occupation of land prohibits my occupation of the same location, and since we all need to occupy land in order to live, the equalisation of land possession is a social affair. Compensation from those who "own" the better lands to those who "own" worse lands, or no land at all, accomplishes this. And this is the idea, as I understand it, of 100 per cent land-value taxation.

Those services which benefit community members *whether or not* they use them (such as roads, sewers, pollution control and territorial defense) are also collective affairs. These services are natural monopolies and are involved with the larger question of land ownership. The paying of land values (which reflect the value of these services and the social environment in general) to finance these services ensures that those who benefit the most pay the most. Thus, no one carries more than his share or benefits at the expense of others.

While control of the land-value fund should be democratic, with each community member having an equal voice, I personally would prefer that it be used to support only genuine public services with the surplus redistributed equally to all. For this main reason I am a strong advocate

of the ST. I do not think land-value taxation even at 100 per cent is enough and I happily note that Henry George seems to agree with me on this point:

"The *abolition* of all taxes that restrain production or hamper exchange, the doing away with all monopolies and special privileges that enable one citizen to levy toll upon the industries of other citizens, is an integral part of our program. To merely take land values in taxation for public purposes would not of itself suffice. If the proceeds were spent in maintaining useless parasites or standing armies, labor might still be oppressed and harried by taxes and special privileges. We might still have poverty; and people might still beg for alms or die of starvation."

I regard the ST as an instrument of self-government. To use the ST to support repressive state functions would constitute, in my mind, a betrayal of its purpose.

The advantage of a ST is that it *limits* the amount of public revenue to the total of all land values which, as I see it, is the total of all benefit, public and otherwise. If the government wants more revenue, it has first to do a better job in order to raise land values. Thus, the ST subjects government to the market, and keeps it in its place as the servant, not the master, of society.

If the ST tax does not produce all the revenue government wants, that is an indication that it needs to reduce or simplify its functions, or be more productive (instead of inefficient or destructive). One obvious way in which it could economise would be to get out of the business of managing and regulating money and exchange, controlling commerce and industry and meddling in our personal lives. Government would certainly be simplified, less oppressive and costly, if it were relieved of the burden of manufacturing and enforcing statutes that make criminals out of persons

who are living their own lives harming no one, except, perhaps, themselves. If private organisations and persons must make ends meet with what they can produce, or *earn*, so must government.

I accept that national defence is an expensive business but I do not think we will ever need more national defence than we can afford. National defence should *not* mean defence of multi-national corporate investments outside our own borders, or of petty dictators who oppress their subject populations, or of other industrialised societies who can well afford to defend themselves.

Finally, if government is the employee of the people (as it should be), all public services should be contracted-out on a competitive-bid basis. This is not usually done, especially in the area of defence contracts. A ST and competitive bidding allow the people to say to government: "This is your budget, spend it wisely, for you will get no more. And if you don't like it, we'll hire somebody else!"

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tion, the concept of an easy fit, the knowledge that some of their kind see merit in that, and they are asked if they, too, would help launch this new vessel.

Industrialists would welcome freedom from rating on all but their sites, often situated in areas of lower land values. A common basis of assessment for all types of property should smooth the ruffled feathers of the non-domestic groups and site value rating would eliminate the real and the often imagined grievances of residential ratepayers.

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