

# Land & Liberty

JOURNAL OF THE UNITED COMMITTEE FOR THE  
TAXATION OF LAND VALUES LTD.  
177 VAUXHALL BRIDGE ROAD, LONDON. S.W.1  
TELEPHONE 01 834 4266

SEPTEMBER & OCTOBER, 1978

Established: JUNE, 1894

Nos. 1,012 & 1,013

VOL. LXXXV

Managing Editor

V. H. BLUNDELL

ISS No. 0023-7574

Annual Subscription:

U.K. and Sterling Area: £4.00

U.S.A. and Canada: \$7.50

Editor

F. HARRISON



## FEATURES

Ideology and the Liberals	67	P. E. Poole
LVT—the Great Vote Winner!	68	Keith Thomas
The Economics of Politics	70	John Green
Confession of a Land Speculator	72	John Peacock
Politicians, the Housing Scandal and Inflation	74	Roger Sandilands

## REPORTS

News Digest	69	
Taxachusetts	76	Edith Capon
Proposition Thirteen: Landlords Charter	77	Keith Thomas
Now for Proposition Fourteen!	78	Bob Clancy

## BOOK REVIEWS

Industrial Relations and Democracy	79	Roy Douglas
---------------------------------------	----	-------------

## Guest Columnist

Time to Risk Our Necks by Quacking Louder	80	Joseph Zashin
--	----	---------------

IF A GENERAL election had been held in October, the chances are that neither Labour nor the Conservatives would have romped home with a working majority.

And even if Margaret Thatcher had ended up with a few more MPs than Jim Callaghan, it is probable that the retiring Prime Minister would have sought another Pact with the Liberals to give him the edge over the Tories.

*What price should Liberal MPs exact for keeping Callaghan in Downing Street?*

Liberal leader David Steel sets high store by Parliamentary reforms. A malfunctioning political system has been heavily responsible for much of the instability of the post-war years.

General Elections have been held too frequently: few Parliaments ran anywhere near their full five-year course. Accordingly, Governments have framed their policies to suit the timetable of politics rather than economics. The stop-go cycles are well-known for their de-stabilising influence on the British economy.

ONE OF THE fundamental problems has been the electoral system. A party with a minority of votes can end up with a majority of seats: hardly democratic, and designed to create cynicism among people who are disenfranchised in the process.

So Liberal demands for a change in the voting system, to one based on proportional representation (PR), is sound. But both Callaghan and Thatcher oppose electoral reform. And although a large minority of MPs supported PR for the European elections next June, on the whole politicians fear that they would lose their seats as a result of a change.

Most people, however, prefer PR. A majority has consistently expressed—through opinion polls—a desire for it. They have been motivated by a sense of fair play. They recognise, for example, the injustice of Liberals receiving 20% of the votes but 2% of the seats in the Commons in 1974.

But there is another sound reason for adopting PR: it enables the major parties to neutralize their extremists who, in the past, have been the tail which wags

# IDEOLOGY AND THE LIBERALS

**WILL THE LIBERAL PARTY RETURN TO ITS TRADITIONAL ROLE OF DEFENDER OF THE FREE MARKET—OR USE ITS INFLUENCE TO MOVE BRITAIN FURTHER TOWARDS THE CENTRALIZED CONTROL OF THE ECONOMY?**

**By P. E. Poole**

the dog. (Mrs. Thatcher, because of her ideological preferences, does not want to restrict her right-wing. Callaghan, however, is a "moderate" socialist with no strong left-wing inclinations; he was delighted to be able to fall back on the Lib-Lab Pact as a reason for turning down fresh nationalisation plans.)

**E**CONOMIC reforms, however, are closer to the hearts (and pockets) of most voters.

Steel wants to push through a number of established Liberal policies. One of these, profit-sharing, is neither radical nor controversial. It amounts to employees accepting part of their income in the form of shares in their company. This appeals to Callaghan, and can hardly be opposed by Thatcher, since it represents an extension of a favourite Tory concept: the "property-owning democracy."

The participation of employees in the running of their firms is more controversial, but again—providing a flexible approach is adopted—might prove to be acceptable. After all, it can be seen as an extension of the existing managerial system, which amounts to employees (directors and executives) administering the capital owned by shareholders!

The single biggest problem for the Liberals, however, relates to their preference for a prices and incomes policy.

Neither Callaghan (who has to retain the support of unions) nor Thatcher (who espouses free market economics) is likely to go along with a further period of rigid con-

trols as advocated by Liberal MPs.

At the heart of this issue is the question of the kind of economy the Liberals want. Constitutionally they maintain support for free trade and individual entrepreneurial initiative (it was their pressure which forced Callaghan to promote the interests of small businesses).

But the Liberal demand for a prices and incomes policy—although motivated by the desire to neutralize the influence of groups with enormous bargaining power—shifts the emphasis in the direction of a bureaucratically-administered economy, with all the attendant defects of centralized control.

Liberals would claim that they were actually trying to remove the monopolistic elements which encumber the economy. This is a plausible argument, for they have consistently fought against monopolies among producers in both the public and private sectors.

But their present route to the free economy can only be self-defeating. They would be better advised to abandon Keynesian policies of economic management and return to the principles espoused by their predecessors 80 years ago—free trade linked with a crucial reform of the fiscal system (land value taxation: LVT) which would destroy the biggest monopoly of all, that of land monopoly.

Up to the Second World War, Liberals fought for LVT, and were actively supported by a large proportion of the Parliamentary Labour Party. (It was a socialist

chancellor, Snowden, who sought to institute LVT in 1931.)

The Liberal Party now places most emphasis on raising rates from site values for local government. Stephen Ross, the Isle of Wight MP, commended the virtues of site value rating to the Commons as recently as June 14. But not until LVT is introduced (with the revenue off-setting taxes on earned income) will the economy function in the free way ostensibly desired by the Liberals.

**L**AND VALUE taxation, then, ought to be an important part of the demands by Liberals for future coalition deals.

At this stage, however, it seems unlikely that this policy will be rated at all highly by Steel and his colleagues. They ought, however, to take note of the historical evidence: LVT is a vote winner (see p. 68). Thus, it ought to be a prominent part of the Liberal platform during the by-elections which come up during the life of the next Parliament.

It was because of slogans like "land for the people" that the Liberal Party rose to the height of its power in the first decade of this century, and enabled it to topple the last vestiges of power in the landlord-dominated House of Lords. The subsequent by-election tests proved that the Liberal leaders were wise to pursue this policy then, and the demise of the party in the intervening years (when it compromised its economic principles) ought to lead to a complete review of the party's stand in the future.

**T**UCKED away at the back of the Liberal Party's platform is their Land Policy.<sup>1</sup> Much of it comprises a criticism of the Labour Party's Community Land Act and Development Land Tax and the Tories' earlier 1970-74 proposals. However, there is a small section headed 'Liberal Policy on Land' which begins

**Liberal Policy has consistently advocated Site Value Rating as the most effective means of making planning more effective and of enabling the community to share in increased development values.**

The remainder of the policy elaborates on this introduction. It is worth noting that there is no mention of land value taxation (LVT), only site value rating (SVR) as an aid to effective planning and which might return to the community some of the 'development values' such as are now appropriated by individuals.


The Liberals' present commitment to SVR is an inheritance from the period before the Second World War and more particularly from 1912 when Liberal candidates fought and won bye-elections, not on SVR (a minor reform which could not be expected to excite an electorate into changing its party allegiance) but on the radical measure of LVT.

There were two general elections two years earlier in 1910 and the Liberal government under Asquith gained only a small majority over the Conservatives, the minor parties making up the balance. The 1910 elections had been called following the House of Lords' rejection of Lloyd George's 1909 budget and, specifically, its land values duties. The central election issue switched from land values to the power of an unelected House of Lords but individual candidates' election speeches usually contained some important references to the matter and by 1911 there were 173 MPs "determined to promote the taxation of land values"<sup>2</sup> and 38 members of the English League for the Taxation of Land Values returned at the polls.<sup>3</sup> Interest in the land question was strong throughout the country and the extent to which land value taxa-

# LVT

— the

# Great Vote Winner!



tion appealed to both rural and industrial electorates was revealed by three famous bye-elections.

The supporters of Henry George's demand for a tax on all land values were a vigorous pressure group but in 1912 they were not equipped to support candidates at all bye-elections. However, when they were able to commit themselves results were startling.

Their first triumph was in rural North West Norfolk where E. G. Hemmerde, an unknown city lawyer, stood as a Liberal against a popular local landlord. He fought the campaign on a platform of robust land value taxation and defeated his Tory opponent in one of the most publicized bye-elections of the Parliament. Both Hemmerde and the defeated conservative attributed the result to the issue of land value taxation. Even the *Times'* unsympathetic reporter had to admit

**I have been impressed with the avidity with which the labourers have endorsed this programme of taxing site values in order to increase rural wages and improve rural housing conditions.**

The reporter went on to observe

that LVT proposals had not only carried their own weight but had also neutralized dissatisfaction with other government policies.<sup>4</sup>

Three weeks later the Liberals won again, this time at Holmfirth in Yorkshire when S. Arnold defeated both Conservatives and Labour, with land value taxation and free trade at the heart of his proposals. The press acknowledged the significance of LVT as an election winner and a Conservative newspaper complained that 'Even the burning question of Home Rule would not burn'.<sup>5</sup>

The third bye-election was held a month later at Hanley in the Potteries. The seat had been held by Labour and the Conservatives hoped to win it on a divided progressive vote. But the Liberals put forward R. L. Outhwaite, an active supporter of the proposal to tax land values. He won with 46 per cent of the vote, sweeping the Labour candidate into third place with just 12 per cent.<sup>6</sup>

**BOTH** opponents and protagonists of land value taxation agreed that these three elections were won on bold Georgist plat-

**KEITH THOMAS ANALYSES HISTORICAL EVIDENCE FOR THE PULLING POWER OF THE TAX ON LAND VALUES**



forms. And as if to underline the appeal of radical land reform the Liberals lost Crewe when their otherwise strong candidate avoided mention of LVT. Due to the influence of conservative elements in the Liberal Party and political compromises which the Liberal leadership found expedient, the momentum was lost and despite some later resurgences land value taxation was never again a clear election winner. Political analysts agree that this was due more to a lack of opportunity than any intrinsic deficiency in land value taxation proposals.

Times change and election manifestos must reflect current concerns rather than those of sixty or seventy years ago. Political and ethical principles are not as transient, however, and it is certain that the unique economic status of land is at the core of many contemporary problems. For economic and fiscal purposes there is no difference between rural land and urban land but since they are dealt with separately at the political level we shall follow that practice here.

Because many Liberal MPs have rural constituencies they are well placed to promote LVT as was Hemmerde 67 years ago. Farmers and rural workers can see more clearly than urban dwellers the way *national wealth* comes from the soil and yet *private riches* can flow from land 'development,' i.e. speculation. Farmers today must be taxation experts as well as agriculturalists if they are to be successful. How much better it would be for British agriculture if the whole year's calculations of taxation, rates and the like could be completed in a couple of minutes and farmers could get down to the business of farming!

There is a familiar misapprehension amongst farmers about LVT. Land value taxation is sometimes (deliberately?) confused with land taxation. A farmer with marginal land, that is, land which could produce no more than would pay wages and interest on the capital expended thereon, would pay no LVT. It is also thought that LVT is somehow akin to land nationalization. But land nationalization implies state control of land and land use and loss of possession of

land; LVT implies none of these and requires only payment of an amount directly related to the value of the site.

The same principles apply in urban areas. The self-employed city businessman has his VAT, rates, income tax etc. to distract him from the work at which he is most skilled. Under LVT his years' calculations would be over in a few minutes. But it is the slum areas and derelict blocks which affect even more people and it is here that LVT would have its greatest impact. If urban sites paid LVT regardless of their improvements they would have to be brought into use rapidly or disposed of to others who could use them. As many unused sites are owned by local authorities it is clear that they too should be subject to LVT levied by central government. 'Urban blight' is obvious to all those familiar with our cities. LVT promises a way out of it, probably the only way in a free society, and stands ready to swing whole constituencies behind those who would advocate it wholeheartedly. It worked in the Potteries in 1912 where poorly educated miners and labourers grasped its meaning and expressed their approval through the ballot box. It could do so again, especially since urban women (who gained the vote only in 1928) suffer more than men from miserable surroundings, especially if they are tied to their homes.

The principles behind land value taxation remain as valid now as they were in 1912 or, indeed, at any time since. They have never been put to the electorate in a national election by a national political party. The Liberals, with their existing land policy and their comparatively poor showing in the inner cities, are probably the party best situated to take advantage of the votes a firm LVT policy has proved it can attract.

1. The policy has been spelled out in their documents LPO/3/76 *Land Policy and The Case for Land Value Taxation (LPD)*.
2. *Land Values*, June 1911:18.
3. *Land Values*, January 1911:178. The ELTLV can be regarded as the rough equivalent of today's United Committee for the Taxation of Land Values.
4. *Times*, 31 May, 31 June 1912.
5. *Annual Register*, 1912, I:155. *Manchester Guardian*, June 22, 1912.
6. *Times*, July 15 1912.

## Alaska land grab charge

WASHINGTON'S plan to restrict development of virgin Alaskan territory—by creating national parks covering 100 million acres—is described as a "land grab" by opponents. Some Alaskans, who are muttering threats of "secession" if the plan goes through, claim that this effort at controlling pollution and curbing development is "the most brazen federal land and power grab since the American Indians were driven from their homes by naked force." There are 400,000 Alaskans, who are considered "land poor" because less than 1% is privately-owned. The rest belongs to the federal and state governments or to the native communities (Indians, Eskimos and Aleuts). John Barnes reports that Alaskans "are expected to vote overwhelmingly in a November referendum in favour of requiring the state government to give each one of them up to 160 acres of free land." (*Sunday Times*, 30.7.78)

## LAND-POOR

AS A means of alleviating poverty in Third World countries, the World Bank hopes that sweeping internal changes will lead to vast progress in agriculture. But, reports Kevin Rafferty: "That seems more of a pious hope than a realistic one. For example, more than 50% of Bangladeshis are already effectively landless and being squeezed out of the economic system. Indonesia and India are not far behind in the landless stakes. Comfortable middle-class Governments are ensconced in most of the poor countries." (*Observer*, 20.8.78)

## ADVISORS

PROPERTY developers dominate a new Property Advisory Group set up by the Department of the Environment. The group's terms of reference: review the impact of changes in the market in land and property for commercial and industrial use on property development and environment planning; advise on the best means of stimulating private investment in, and the development of, vacant and derelict land in urban areas.