

the land market of the 100 per cent development charge of the 1947 Town and Country Planning Act. The present 40 per cent levy would already appear to be tending in the same direction, despite the inducements mentioned by Mr. Mephram.

An indication of this tendency was given in the Nottingham *Guardian-Journal* of August 21, which reported a local builder as commenting that from April 6, "the availability of land to (local) building firms dried up just as if somebody had turned off a tap." In confirmation of this, Mr. C. M. Carver, Secretary of the Nottingham and District Association of Building Trades Employers, is quoted as saying that "it was as though the supply had been sterilised." If this is what is happening with a 40 per cent levy, we can only expect a hardening of the arteries with a 50 per cent charge on development value.

Yet the Government really has no excuse for clogging the land market in this way, for there have been Labour Party leaders who knew their land economics, and who, like Philip Snowden and Herbert Morrison, advocated land-value taxation and its offspring site-value rating, which are not only different from this clumsy levy but have exactly the *opposite* effect. This was shown by the Simes Report on the *Rating of Site Values* in 1951, which stated (paragraph 168) that a tax on the unimproved value of each parcel of land, whether used or not, "would tend to bring into the market land that would otherwise not have been offered for development, thus increasing the supply of available land and tending to lower its price . . . development would be actively stimulated."—Yours, etc.

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Land-Value Taxation— Builders Would Benefit

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A SHORT NOTE on a recent edition of *LAND & LIBERTY* has appeared in the *Architect and Building News*. In an attempt to throw the customary cold water over the site taxation theme, the author commented: "Land and Liberty is a fine slogan, but we must beware of getting carried away in a whirl of idealism."

This gentle dig at our "unashamed devotion" to land-value taxation might have brought a twinkle to the eyes of those familiar with the subject, particularly since the critic fastened on to the much vaunted cry that everyone has a right to a return on an initial investment. The advocates of LVT, however, consider that no one should benefit from doing nothing. Land is passive, and of itself produces nothing. It is labour and capital that does the producing. Fortunately it is not difficult in this case to recognise the special pleading beneath the veneer of objective challenge.

"How would such action (LVT) affect the builder-

land owner?" asks the correspondent. "It is he, the house builder, who tries to have a stock of land upon which to build for months, or, in an ideal world, years ahead. As the Minister of Labour recently said, "profits are not immoral; they are essential to the working of our economy."

Our critic has carefully ignored two vital considera-



tions; the effect of withholding land from development on the economy as a whole, and the essential moral difference between investment in capital and investment in land. In the first case it is partly the acquisition of land by firms in advance of immediate development needs that leads to the regular increases in land prices that are a feature of our economy. Building firms do this because they know that in the long run land prices are increasing faster than equity prices and that by the advance acquisition of land they are in a better position to cash in on community-created monopoly values.

In the second place, the legal and fiscal policies of successive governments have neglected to emphasise the *economic* difference between profits from land and profits from other investments. The result of this neglect can be seen in the relative inefficiency of the nation's "mixed economy" in which one half of the population is busy subsidising the other, while the land speculator waits for the fruits of increased productivity, housing subsidies and grants, and urban renewal and expansion to fall into his lap.

Unfortunately, not many people in this country can see the mistake the *Architect and Building News* has fallen into. Builders, architects and developers exist only to furnish finished products to the consumers. Consumer demand for new building is governed significantly by relative land prices, since competition in the construction industry fixes the ceiling on building costs, and the rate of interest falls evenly. Demand for buildings can increase only if prices fall, and it is the cost of sites which can most readily be reduced by a land-value tax.

As long as builders seek unearned increments from rising land values instead of striving for competitive profits, the nation's modernisation programme must suffer. Fortunately the examples of foreign experience show that by taxing land rent, builders, land owners and purchasers of finished buildings are brought closer and more rapidly together in a dynamic market situation. This is exactly what the *Architect and Building News'* reviewer has failed to appreciate. A more responsive and competitive market in land must mean a more competitive market in structures. Ultimately this would lead to bigger profits throughout the building industry.