

THE CASE FOR RATING REFORM

BY COUNCILLOR T. W. STAMFORD

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The question of rating reform is one of urgent importance to every ratepayer. But while complaints against high rates are common enough, especially at election times, the question of how the rates are raised and how they ought to be raised is one to which, unfortunately, very little attention is given. The recent large increase in local rates, however, is making it obvious at last that something must be done, and done quickly, to secure a more equitable system of rating if necessary and desirable municipal developments are to proceed without imposing increased hardship on already overburdened classes of ratepayers. From the point of view of municipal reform the matter is made the more urgent by the renewed attempts that are being made to exploit the fear of rising rates in the interests of a reactionary municipal policy. It is clear that if municipal developments are to proceed freely and naturally some attempt will have to be made to remove the financial difficulty that at present acts as a drag on municipal progress. The problem is: How can the present burden of rates be lightened while at the same time necessary local reforms are carried out? The purpose of this article is to attempt to supply an answer to that question.

ECONOMY OR HIGH RATES

A good deal of nonsense is being talked against high rates as if low rates were necessarily an advantage. Incidentally it may be noted that up to date the opponents of high municipal expenditure have never succeeded in showing how the rates can be reduced. As a matter of fact a good deal of our municipal expenditure is of such a character that no intelligent person would dream of advocating a reduction. Expenditure on public health services increases the rates, but no one proposes to reduce such expenditure. After all there is an economy of high rates—a fact we are sometimes apt to overlook. Low rates are not always an advantage. High rates with good social conditions are better than low rates with bad social conditions. They are certainly more economical. It is cheaper to provide good sanitation than to suffer the results of bad sanitation. It is certain that the growing demand for a progressively improved standard of civic life will have the effect of increasing municipal expenditure. If such expenditure at present imposes hardship on any class then that is due to some defect in the system of rating.

THE REAL GRIEVANCE OF THE RATEPAYER

What is really unsatisfactory is that the people who pay the rates are often not those who derive the greatest benefit from municipal expenditure, while those who contribute little receive the greatest advantage. Ground landlords supply an obvious instance of people who receive too much and contribute too little towards municipal expenditure. The real grievance of the ratepayer, if he could only be got to realise it, is not against the rising rate of municipal expenditure; it is against the grossly unfair incidence of the present rates.

DEFECT OF THE PRESENT SYSTEM

The present system of rating is fundamentally wrong. It starts by confusing two entirely different things—the natural resources and the products of labour. It lumps land and improvements together as a composite subject, and it rates that composite subject not on the basis of its market or selling value but on the basis of the rent it is yielding in its present state. Thus the more a man builds and develops his property the more he is penalized. In effect he is fined for every improvement

he makes. While every form of building is heavily rated there is in and around every town a large amount of land, often of considerable value, which contributes little or nothing to the local rates. The system is doubly defective: it encourages the withholding of land from use, thus artificially limiting the available supply of land, and it operates as a tax on every form of industry and enterprise.

RATES AND HOUSING

The bad effects of such a system are everywhere to be seen. Take housing. Undoubtedly one of the predisposing causes of bad housing is the present method of rating. Taxation restricts the supply, reduces the quality, and increases the price of houses in the same way as it does in the case of any other commodity produced by labour. Taxation of houses makes houses fewer, worse and dearer. The present method of rating compels the builder to cut down all extra improvements, which, though they might add to the comfort and convenience of the house, cannot be said to be absolutely necessary from the point of view of the minimum standard of shelter. Moreover, one of the greatest evils of this system is that rates upon the composite hereditament fall with especial severity upon the poorest class of ratepayer. The wage earner who desires to become a tenant has to consider not merely how much he can afford to pay in rent but the total amount he must pay, directly or indirectly, for rent and rates combined. And as it is generally the case that the poorer a man is the greater is the proportion of his income which he pays in rent and rates being assessed on rental value, it follows that the poorer a man is the greater is the proportion of his income which he pays in rates. A rise in rates affects him in very much the same way as a rise in rent. It lessens his ability to secure satisfactory housing accommodation. At a time when the housing problem is so grave and urgent it appears ironical to continue to impose upon house building heavy and burdensome taxation in the form of local rates. Personally, I am more than ever convinced that the housing problem is simply insoluble under such a system. To relieve houses of rates is the natural and effective way to increase the supply and improve the quality of housing accommodation.

RATE ON LAND VALUE

What is required is an alternative source of rate revenue; and the source is at hand waiting to be tapped. The real solution of the problem of increasing municipal expenditure is to make land values available for purposes of local taxation. At present, land suitable for building, though its value is very great, may be producing a small yearly return until it is let for building. The owners of such land are rated, not in relation to its real value, as they ought to be, but to the actual annual income derived from it. In Bradford, as in every other town, land is held out of use for speculation purposes. The present system of rating encourages private owners to act in that way. They can afford to wait until the pressure of population has pushed up the value of the land sufficiently high to induce them to sell. If such land lies on the outskirts of the town it may be let for grazing land, if in the centre a hoarding may be erected upon it; in either case rates are charged on rental value only. If the land is kept vacant it pays no rates at all. Public expenditure and enterprise may enhance its value; the growth of population may increase the demand for it, but the owner can afford to wait, because waiting costs him nothing. The result is that the community suffers in a two-fold way: it is deprived of the use of valuable land, the absence of which from the market has the effect of setting an artificial value on the sites that are available, and it pays that part of the costs

of local government that ought properly to be borne by the owners of land.

WHAT THE LABOUR PARTY ADVOCATE

The reform advocated by the Labour Party is that rates should be levied on land on an assessment based on its full capital value irrespective of whether the land is in use or not, and that rates should be levied at the same rate per pound on all land. It is not difficult to trace the effects of such a change to the method of rating. If all land were rated on its selling value the owners would have a more direct incentive to bring it earlier into its full use, and the community would immediately gain two great advantages.

First, all the valuable property would contribute to the rates and thus the burden on present occupiers would be diminished by the increase in the rateable property. Secondly, much valuable building land would be forced into the market, and by thus increasing the available supply would cheapen land for building purposes.

RETAINING THE VALUE OF PUBLIC IMPROVEMENTS

Let us apply this proposal to our own Bradford conditions. Site values in Bradford have increased enormously as a result of street improvements paid for out of public money. The enhanced value is promptly translated into increased rent for the benefit of the private landowner. The ratepayer is thus involved in a double charge in respect of all municipal improvements. He first pays heavier rates to the municipality and then pays higher rents to the landlord because public expenditure has increased the value of his land. Rating of land values would enable the community to retain for its own uses the increased value of land due to public enterprise and expenditure.

AGRICULTURAL LAND IN BRADFORD

Or take the question of land rated as agricultural. It may come as a surprise to many people to learn that out of a total area of 22,843 acres no less than 14,534 acres, or 64 per cent. of the total area, is rated as agricultural land. The explanation is that it is agricultural for rating purposes only. The yield of rates in respect of agricultural land is only £4,815, while the total yield of rates for the whole city is £820,854. The contribution of agricultural land includes general district rates for woodlands, reservoirs, etc., which are chargeable to that rate at one-fourth. The amount of rates in the £ payable in respect of agricultural land is 4s. 7½d., while the full rates of the city stand at 12s. in the £. It goes without saying, of course, that such land is not purchasable on the basis of its assessment for rating purposes. Some years ago the city purchased for the public use 1,500 acres of moorland. The price asked was £369,000. The price actually paid was £239,000. The rateable value was £750, so that the price paid was equal to 319 years' purchase on the basis of its contribution to the rates. It would be easy to multiply instances to show the wide difference that exists between rateable value and market value.

£18,405 FOR LAND RATED AT £111 10s.

Here is a recent example. The health committee were recently in negotiation for the purchase of a piece of land for housing purposes. The land had been valued by the Government valuer at £5,000. Its rateable value was £111 10s. The price asked by the owner was £18,405. The only comment one needs to make is that if the figure of rateable value was correct it should have provided the basis for purchase or if the owner's figure of £18,405 was correct then the owner should have paid his rates on that value. The reform advocated by labour seeks to abolish the privilege hitherto enjoyed

by owners of agricultural land of escaping their fair share of contribution to the local rates. It seeks to compel owners to pay rates on land on an assessment based on its full market value. In the past Labour has used its opportunities on the Council to urge Parliament to grant the powers here indicated to local authorities. In view of the present state of public expenditure it is more than ever necessary that such powers should be secured at the earliest possible moment. Local authorities must continue to press for such powers. The electors can do something to apply the pressure by availing themselves of the present opportunity to increase the strength of Labour on the City Council.

THE LAND PROFITEER

From an article in the DAILY HERALD, September 27th.

By GEORGE LANSBURY

The people of London in 1876 paid £500,000 for the privilege of making Northumberland Avenue. It may be that the economic value of the land on which the historic London home of the Percys stood, opposite Trafalgar Square, was truly represented by that huge sum of money, but what had the Percys, or the head of their house, ever done to create that value? Simply nothing; and yet they had the right to take toll on future industry for that amount. If we follow the advice of the friend who advises us to think in goods, this means that this family took toll of somebody's production to the extent of £500,000, or, put in another way, they are able by capitalizing that sum to draw £25,000 a year in dividend and interest.

The above happened in 1876. In this year of grace 1919 another duke has disposed of some property. The town house of the Devonshires has been sold. The actual figure paid has not been published; it is between £800,000 and £1,000,000. It is interesting to find that the rateable value of Devonshire House is £4,168. The house and land comprise 163,000 square feet. The whole estate was valued under the Land Values Act, and after a terrific struggle was valued at £400,000; so the owner has apparently been able to persuade a buyer it is worth double the value put upon it for taxing purposes. The extraordinary thing to bear in mind is that the land and houses owned on this spot by Lord Lansdowne and the Duke of Devonshire are rated at about £7,000; the area is 256,000 square feet, while on the opposite side of the road buildings situated on about 153,000 square feet are rated at £43,570.

I shall be told that one consists of private parks and the other business premises; but why should a handful of men hold land of such value for their own purposes, and what earthly moral right have they to demand a huge toll when the land is released for industrial and business purposes? We hear a lot about the dreadful workmen wanting their pound of flesh, exercising their giant power to rob the public, and of their greed and avarice. I cannot see where the difference is, even if I admit all the charges against the workers, which I do not, between the extortion exercised by ground landowners and that indulged in by other classes. Even in East London the same deadly hand is at our throats. In Bow one of the wealthiest landowners, one who draws tribute from mine and mill, slum and meadow, also draws a princely income from a district crushed and overborne by a tremendous burden of rates, and in which overcrowding, bad, unhealthy housing conditions are rampant. And so it is everywhere. The noble families of Britain who now cry out against Bolshevism, are themselves the real Bolsheviks, using the word as they want us to understand it.