

*A Referendum of members' view on a number of topics was recently conducted by the People's League for the Defence of Freedom. One question was: Are you in favour of the proposal to de-rate all building and to levy rates only on the site value of land? For members' guidance the following article, by P. R. STUBBINGS, was published in the People's Guardian, the League's weekly journal. Results are awaited.*

## Taxation Of Site Values

"PAYING rates hurts very many people," Mr. J. R. Bevin, M.P. said in the Commons a few months ago. Everybody knows this is true and none better, perhaps, than heavily mortgaged young people, pensioners and others on fixed incomes, and small traders.

Under Object No. 5 the People's League is pledged to do what it can to help them by campaigning "for the progressive reduction of rates and the elimination of bureaucratic waste." This is a formidable undertaking. For the present rating system is inherently costly, wasteful and bureaucratic, chockful of absurdity and anomaly. Moreover, political pressure to spend more—frequently on projects desirable in themselves—is far stronger than are the forces of economy and retrenchment.

Local action by vigilant ratepayers and sound, independent Councillors can do much to check needless waste and profligacy. It is much more difficult for a national body to take effective local action. Therefore it is to Parliament, rather than to the Town Hall, that the League should direct its principal efforts in aid of the ratepayer.

The League cannot support proposals to ease the rate burden by transferring responsibility for certain local services—e.g. education—to the central government. Such a move would swell costs and bureaucracy. Similarly, because it stands for reduction in national taxes, the League cannot echo calls for increased government grants to local authorities. What the League must do—because Justice is the obverse side of the Freedom coin—is to press for measures that are as demonstrably fair as the present rating system is palpably unfair.

Against the criterion of fairness, proposals for a local income tax, a local sales tax, a local entertainments duty or even—Professor W. A. Robon's suggestion—local taxes on cats, dogs and bicycles(!) do not stand up to a moment's examination. Each would be unfair, costly to collect and a breeding ground for bureaucrats.

Purchase tax already makes goods needlessly dear and distorts production and trade. And surely we hand over enough of our income to the Inland Revenue without having a Town Hall tax man dipping his hand into our income?

In any event, a departmental committee, supported by the Inland Revenue, found that the risks of evasion and the practical difficulties involved were too great to risk setting up a local income tax.

Even more important, perhaps, is the question of freedom and democracy. If rates were abolished the system

of local government as known today would also go. This soundly based view, widely held by all connected with local government, was echoed at the October conference of the Rating and Valuation Association by Mr. W. G. G. Ormond in his presidential address.

Only one course is open: the present rating system must be reformed. The reform needed is so fair and simple, so expedient and beneficial, and so popular with local authorities and every class of ratepayer wherever it has been applied, that it should be introduced here without further delay.

The reform is simply to *derate all buildings*—houses, shops, factories, etc.—and to levy rates *only* on the site value of land. This system has long been in operation in cities, towns and rural areas throughout Queensland and New South Wales. It is spreading rapidly elsewhere in Australia and New Zealand—at the request of ratepayers. Denmark rates land values (with the enthusiastic support of the farmers), and so do parts of South, East and Central Africa, and parts of Canada and of the U.S.A.

Ethically the case for this system of rating is impregnable. It cannot fail to appeal to lovers of freedom and justice. Quite simply it is this; the value of any piece of land is NEVER due to anything the owner or occupier has done. It is ALWAYS wholly the product of environmental factors—the presence and activities of the community.

Municipal services and amenities give land much of its value. To charge the cost of providing and maintaining them against the benefited land is a matter of simple justice.

Community-created values obviously should be collected for the benefit of the community. Conversely, privately-created values should be privately enjoyed. It is as simple as that.

Land-value rating takes the profit out of slums. They are pulled down and privately redeveloped. Think of the millions of pounds that would save! Similarly, land speculation becomes unprofitable. Result? Owners either develop or sell out to developers. Land prices fall as the market supply increases.

Simultaneously the tax brake is taken off development. New houses, shops, offices, and factories are built. Old ones are modernised and extended. Everywhere useful activity augments to the good of industry, trade and employment. Numerous ancillary benefits accrue. To cite five examples: the gaping eyesores to be found in every

town are closed with fine, new buildings; urban sprawl and encroachment on the countryside is halted; roads are cheaper to build and widen; home ownership is brought within reach of many who today look to Councils to provide them with a roof; young men find it easier to buy or rent a farm or small-holding.

Council spending is slashed because (1) land for schools, roads, etc. is cheaper: (2) expensive services are no longer provided for non-revenue-yielding sites: (3) many services are self-financing, increasing rate revenue by more than their cost: (4) housing subsidies and slum clearance payments are drastically curtailed.

No longer is society divided into rate-privileged and rate-exploited groups. The reduced cost of local government is shared fairly. Equity and harmony prevail.

Hundreds of local authorities have demanded land-value rating. Recently ratepayers', residents' and tenants' associations have lent their support. In July the non-party National Union of Ratepayers' Associations called for "a further enquiry into the practicability and desirability of meeting local expenditure by a rate on site values".

The People's League should endorse that reasonable request.

## Plain Talk to Businessmen

By ROBERT DE FREMERY

Vice-President, ONOX, Inc., of San Francisco

A speech given last month at the Commonwealth Club of California.

ANYONE who has studied the subject of taxation cannot help but recognise the disastrous effect that most forms of taxation have upon a free enterprise system. And the deeper he goes into the subject, the more aware he becomes of one kind of tax that not only has no harmful effect upon productive activity, but actually has a beneficial effect. *House & Home*—the leading magazine for the construction industry—has pointed this out several times in the past few years. As each community grows, the rental value of its land, as distinguished from improvements, grows with it. And as public funds are spent for streets, highways, irrigation projects, schools, and the maintenance of law and order, the value of the land benefited by these public improvements is maintained and increased. So what is more logical than for each community to recover as much of this publicly-created value as possible—thus making it unnecessary to levy taxes on privately created values such as homes, factories, machinery, earned income, and all the wealth produced by those not on a public payroll?

Consider what happens when we do not make full use of this natural source of public revenue,

1. Citizens are encouraged to speculate in land—thus diverting savings from more productive uses and causing the price of land to climb beyond the reach of those who would like to use it.

2. Local state and Federal governments are forced to levy taxes on our homes, our incomes and our purchases. Public revenue must come from somewhere. If it does not come from the publicly created value of land, then it must come from privately created values.

3. Public spending becomes uncontrollable because of the influence of lobbies favouring public works that will benefit certain landholdings at the expense of those who pay income, sales, and gasoline taxes.

4. Slums grow in the centres of cities—a direct result of under-taxing valuable land while taxing those who improve their land.

It is significant that years ago at one of the annual meetings of the American Economic Association, the subject of land-value taxation was thoroughly discussed and an overwhelming majority of those present agreed to the following points:

1. The site value of land is a creation of the community, not a creation of the landholder.

2. A tax levied on the site value of land cannot be shifted or recovered from the tenant by raising his rent.

3. A tax levied on the site value of land is burdenless. The community, in taxing site values, is merely recovering a value it has created.

Recently Dr. Glenn Hoover, Past President of the Pacific Coast Economic Association, stated that most economists today would agree on these points.

Opponents of land-value taxation are very prone to hurl the word, "confiscation" at those who favour securing as much public revenue as possible from the publicly-created rental value of land. But obviously all taxation is confiscation. And the type of confiscation we should abhor is the confiscation of *privately*-created values that ought to remain in private hands as a spur to the creation of more wealth. But the only way we can really protect *privately*-created values and keep them free of taxes is to confine taxation as much as possible to the *publicly*-created value of land.

This Club could do a wonderful thing if it helped even a little to stir up public interest in the subject of land-value taxation.