

WHAT IS WRONG WITH OUR RATING SYSTEM?

IN A leading article in the *Sutton Coldfield News*, March 23, the Editor writes:

The high cost of building land presents a problem which is in need of a quick solution and there is undoubtedly widespread sympathy with the view that the law should be changed so as to relieve the rating levy on houses and other buildings and improvements, and take contribution from those who receive and enjoy the value of land whether it is used or not. If this were done it would be to the interest of every landholder to put the land to its best use, to build and improve and provide employment which at every stage would be freed from taxation.

It is certain that local authorities purchasing land for building purposes are being called upon to pay excessively high prices which bear no relation to pre-war values and this notwithstanding the fact that enhanced valuation is not due to anything the owners have done in the way of improvement to the land but is a measure of the urgent needs of the community.

It is difficult to find a telling argument in favour of the existing procedure of permitting vacant land, however valuable, to be excluded from the tax rolls as being of "no value" on the ground that in its existing condition it yields no rent. Land is assessed for local taxation only when it is built upon or otherwise brought into use and the result is that every house and every kind of enterprise is heavily taxed.

We are fully aware that the subject is one with many issues for debate, and we should welcome an expression of public opinion in our correspondence columns. It may be added that land value rating is in practical operation in other countries, including Denmark, New Zealand, Australia, and the Transvaal. Bringing the matter to our own doorstep it may be recalled that the Birmingham Finance Committee has reported in favour of a rate on site values.

It is pleasing to see, from news cuttings received, the ready response of a number of correspondents to the Editor's invitation. Following is the article contributed by "V. H. B.," entitled

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Many ratepayers feel there is something wrong with our present rating system; that it is neither efficient nor just. Rates have come to be regarded less as a payment for services rendered than as a fine or penalty for industry and enterprise. This is not surprising when it is considered how our rating system operates. This, in effect, is what happens.

Mr. Smith, desiring to get the maximum advantages from his site, decides to improve his property and perhaps make some small addition to his building either for his own enjoyment or to extend his business.

The local rating authority appear to disapprove and he is "fined" for his enterprise by an increase in rates. This frustrates endeavour, hampers progress and engenders apathy in the minds of those who, by improving and rebuilding, would seek to improve the faces of our dilapidated cities, and offer better facilities for business and entertainment.

Mr. Robinson is indifferent to the needs of the community. Perhaps he has made his pile, anyway. He makes poor use of his site and allows his building to fall into a neglected state, perhaps to become a potential slum. This, one would imagine, pleases the authorities and they show their approval by granting him a reduction of rates at the next assessment.

Finally, there is Mr. Brown, a landowner. He is a special favourite. He pays no rates at all because he makes no use of his site. He had not intended using it when he bought it. He is sitting tight, waiting for a rise in price! Not only

will he not use his site, but he will not allow others to use it. If he is approached he asks for a fantastic rent, which discourages and disheartens people with more initiative. Thus our rating system encourages him to create an artificial scarcity and rewards him for so doing by releasing him from the obligation of paying rates.

Multiply your Smiths, Browns and Robinsons by thousands and you get what faces you every time you look around your city: slums, potential slums, dilapidations and empty sites. We know that much of this is a result of war conditions and restrictions, but cast your mind back to pre-war days. Were not these very same conditions apparent? So much for the justice of our present system of rating as concerns the payers of rates.

There is, however, a more important consideration in connection with our rating system than the unfair allocation of rates that place the heaviest burdens on the most industrious. It is that our method, by putting a premium on idleness, condones, encourages and supports the evil growth of land monopoly which hinders production, strangles progress and prevents employment.

The Alternative

What is the alternative to our rating system that would remove these evils and at the same time ensure an equitable distribution of rate charges?

The answer is to levy rates on unimproved land values, *whether those sites are used or not*, and remove all rates levied on buildings and improvements. Consider what encouragement this would give to build and develop! Consider what a liability unused land would be! Consider how this would bring on to the market valuable sites and productive land, and thus bring rent and prices down!

What of the justice of this? Taxes operate as a fine. They tend to discourage progress and the activities of man. They are unjust because the greater the activity or labour the greater the tax. On the other hand, a rate on land values does not lessen the quantity of land; on the contrary, it makes more available by forcing it into use.

The question of rating buildings and improvements or land values, brings us to an important distinction. The distinction is between what is created by individuals and what is created by the community.

What a man produces by his own labour is rightly his. No part of it belongs to the State. The value which attaches to land is a result of the presence and activities of the community and does not belong to private individuals.

Transferring the Benefits

During the last century the rise in land values has been tremendous, and this has *not* been due to the activities of the landlords but the people. The landlord has reaped the benefit and given nothing in return.

All progress and the advantages of invention have resulted in increasing land values and are reflected by the exorbitant prices and rents asked—and paid—for sites. (Land in Birmingham has in some cases risen as much as ninety times its original value during the past 160 years.) This explains why the general level of wages and interest have not risen to the degree one might have expected with the advance of science and invention.

Housing, education, health services and other social needs are urgent. They must be paid for, and in land values is a natural revenue. In the interests of justice we should see that this revenue is collected and used for the needs of the community.

V. H. B.