

## THE TAXATION OF LAND VALUES.

### The Basis of Rating Reform.

By the Right Hon. Alexander Ure, K.C., M.P.

(Reprinted from the DAILY NEWS YEAR BOOK, 1913.)

My purpose in this paper is to give as clear and simple an account as I can of the proposal which generally goes by the name of "The Taxation of Land Values." The name is misleading, so far as my present aim is concerned. For I confine myself to rating, I do not deal with taxation at all. What is known as "The Single Tax" I do not advocate, and I never at any time have advocated. I regard it as in this country impracticable. My views are shared by all the Land Reformers with whom I am acquainted, although we may differ as to its theoretical soundness. As a practical policy, then, we all lay it aside\* I now turn to rating.

A man's contributions to the rates are at present fixed according to the yearly value of the house he occupies, and the business premises in which he prosecutes his calling. If he pays a rent, that rent is, as a general rule, accepted as the correct index of yearly value. If he pays no rent, but occupies his own property, then an opinion has to be formed as to its yearly value. That opinion is based on this consideration, what rent would the premises fetch if let to a tenant in their present condition? Very naturally the rent fetched by similar premises in the neighbourhood is taken as an adequate criterion of yearly value. Allowances up and down are, of course, made for differences which skilled valuers are able to estimate. Where no sufficient guidance can be obtained from rentals secured for similar premises, other modes of reaching yearly value are resorted to. One familiar method is, to reckon up the value of the structures, then to reckon up the value of the ground on which they rest, and by adding these two values together so to reach the yearly value of the composite subject. When both these methods fail, as fail they must when the infinite variety of subjects to be valued is considered, then resort must be had to other and less easily defensible methods of valuation. And, naturally, grotesque results often follow.

The essence of the present system of rating is easily seen. It is based on the value of the use which is made of the land, and not on the value of the land. The two things are quite separate and distinct. Land may be put to its best use, or to an inferior use, or to no use at all. Its value remains the same throughout. **But the occupier who puts it to its best use is most highly rated, he who puts it to an inferior use is less highly rated, and he who puts it to no use at all is not rated at all.** That is our present system. We fix the amount of a man's contribution to the rates according to the use to which his land is put. We deliberately discourage men from putting their land to a good use, we encourage them to put it to an inferior use, and we incite them to put it to no use at all. No man who understands our present system defends it. Its champions are drawn exclusively from those who do not understand it. The objection to the present system goes much deeper than at first sight appears.

#### Site Values and Building Values.

It is commonly supposed that the two ingredients, land and buildings, always do appear, each at its true value, in the valuation of the composite subject. This is a blunder.

\* We reproduce this able and convincing article on the rating of land values with pleasure, but must say that though we have a speaking acquaintance with Mr. Ure on the land question we do not share his peculiar views on what is known as the Single Tax.—ED. L.V.

They do not. The values of the two ingredients do not always appear in the valuation of the composite subject, and when they do, they appear in infinitely varying proportions. They seldom or ever appear each at its true figure. This consideration, wholly unknown to the average ratepayer, leads to a grotesque distribution of the burden of rating, at which he grumbles, although he cannot explain his discontent. But he feels the injustice, although he cannot divine its origin. Sometimes a very handsome and commodious building is erected on a site of no exceptional value. You will find, under our present system, that its occupier is often rated on substantially the value of his handsome building alone. The ingredient of land values does not, in reality, enter into the valuation of the composite subject at all. Sometimes you find an out-of-date building on a valuable site. Here you will find the occupier rated on substantially the value of the site alone—often not even on that. Into the valuation of the composite subject, land value alone enters, the value of the building does not enter at all. Often less than the value of the land alone is to be found in the valuation of the composite subject. Under our present system, therefore, you constantly find one man rated on the value of buildings alone, and another man rated on the value of land alone, a third on very little land value and a great deal of building value, and a fourth on a great deal of land value and very little building value. **Nothing approaching uniformity or justice in the distribution of the burden of rating is anywhere to be found.**

This is, of course, the direct and inevitable consequence of a system under which you fix men's contributions to the rates according to the use they make of their land and not according to the market value of their land, according to the advantage they take of their opportunity and not of the value of their opportunity. This is the necessary result of seeking to mingle in one valuation two ingredients so wholly dissimilar in essence as well as in origin as land, the creation of Providence, and buildings, the work of man's hands. It is idle to speculate on the principle which is supposed to underlie our present system of rating. For it is obvious, on examination, that whatever it may have been it has gone hopelessly to pieces. I, therefore, proceed at once to inquire what system is it proposed to put in place of the present. If my diagnosis of the evils of the present system is sound, the remedy is obvious. It has already emerged. **Let men's contributions to the rates be fixed not according to the value of the use they make of their opportunity, but according to the value of the opportunity itself.** In other words, let us disentangle the value of the land from the value of the buildings, and improvements on it; and let us fix a man's contributions to the rates according to the value of the land he occupies, and not according to the value of the work he has done upon it. And thus a man's contributions to the needs of the locality in which he dwells and carries on his business will be measured directly by the advantage which his land derives from the community, and not by the advantage which his land derives from his own expenditure and effort. The determination of the amount which a man contributes to the rates will depend not merely upon the amount of the value of his land, but also upon the source whence that value comes.

#### A Just Basis of Rating.

Now, as the value of land alone comes exclusively from the community and not from anything which the owner does upon it or spends upon it, it is just and right that he should offer his contribution to the needs of the locality in strict proportion to that value. The direct effect of this change in the basis of rating—from land and buildings combined to land alone—would obviously be threefold. First, many who now make no contribution to the rates at all would at once become ratepayers. They are the owners of valuable land which is at present put

to no use at all. Second, many who contribute but little to the rates at present would be asked to contribute more—some, much more. They are the owners of land which is at present put to an inferior use. Third, many who contribute to the rates a greater amount than is their fair share will be asked to contribute less—many, a good deal less. They are the occupiers of land which is now put to its best use, its proper use. This would be the direct and immediate result of the change of system now proposed.

But its indirect result would be even more valuable. If men were asked to contribute to the rates, not according to the use they actually made of their land, but according to the best use to which it could be put, they would, of course, be eager to put it to its best use. And if they were, for any reason, unable or unwilling to put it to its best use, they would make haste to get rid of it to those who could and would. And land would then be got to purchase or to hire on more reasonable terms by those who were in a position to use it. The advantages of cheap and easily obtainable raw material, even a confirmed Protectionist can thoroughly appreciate. Cheap land for the users of land—whether builders or agriculturists—is a boon of priceless value.

This, then, is, in as brief and clear language as I can command, the doctrine which in common parlance is known as "The Taxation of Land Values." It will be seen that it is not taxing at all. It is rating. And its chief merit consists not in what it does, but in what it does not; not in rating on the value of the land, but in liberating from all rating the value of man's work and expenditure on the land. Of other and further developments of the doctrine of adopting value created by the community as a measure by which to fix contributions to communal needs I say nothing here. It will, no doubt, be found expedient some day to transfer the burden of certain services which are truly national although locally administered from the local exchequer to the Imperial exchequer, and it may be to raise the money by means of a tax on the value of land. But that is a topic which lies entirely outside my present aim.

#### MR. URE'S IDEA.

THE DAILY NEWS AND LEADER of March 8th contained an interesting character study of Mr. Ure by the editor. Referring to the strenuous and unceasing campaign which the Lord Advocate put up for the Budget, Mr. Gardiner writes:—

And what was the motive that sent this kindly, keen-faced, prosperous lawyer on this amazing crusade? It was not personal interest, for he is a wealthy man and had nothing to gain from it. It was not political ambition, for the ambitious man is too careful of his reputation to risk making himself cheap. It was passion for an idea. The muddle and wrong of this world touch the idealist in many ways. They revolt one by their disorder, another by their waste, a third by their inhumanity, and so on. And each is attracted by one phase of the problem. Mrs. Pankhurst sees the *fons et origo mali* in the subjection of women; Sir Wilfrid Lawson saw it in the liquor trade; Mr. Keir Hardie sees it in capitalism; Lord Roberts sees it in pacificism; Mr. Norman Angell in militarism. Mr. Ure is a logical, clear-headed Scotsman, and he sees in the operation of the land system the chief blight on society. He sees how the land monopoly has made a wilderness of the Highlands and a slum of his native Glasgow, where 60 per cent. of the people live in one or two room tenements. And looking to the root of the evil that is sapping the State he discovers an injustice so fantastic that the dwellers in "Erewhon" would have died of laughter at it. It is this: that you tax the man who improves the land, erects your buildings, gives work to your citizens, produces the wealth of the community, and leave the landowner untaxed. The more your manufacturer spends for your

benefit, the more you fine him in rates: but the landowner may receive millions from the unearned increment you create, and the rate-collector never pays him a call. From this wild fantasy flow the twin evils of the solitary glen and the fetid slum. Mr. Ure sees this and he sees that the remedy is to reverse the principle of taxation or rating—to rate the land and not the improvements. Plenty of us see this too, but we see it dimly and intermittently—at election times and in odd moments of illumination. Mr. Ure sees it all the time with the steady intensity of an idealist, and he has devoted himself to making us see it in the same way. And it was because he found in the Budget of 1909 the first approach to a solution of the real problem of our social system that he became its most impassioned advocate and, next to Mr. Lloyd George, the chief target of attack.

WHY NOT FACE IT NOW?—Some time the people are going to claim their own. They are poor, not because they are lazy or vicious or intemperate, but because they are robbed; they steal, not because they want to steal, but because they are stolen from; they sell liquor, not because they want to injure anybody, but because they want to make a living; they are vicious, not because they want to be vicious, but because they are deprived of legitimate pleasure by their enforced poverty. They, to be sure, do not realise these things now, but they are going to. Neither do the beneficiaries of this iniquity know or realise the real nature of what they are innocently doing, but they are going to. They must. This rotten foundation in our social system is going to give way, to be removed, peaceably, we hope, but to be removed. . . . The mass of the people may not ask compensation for what they have been deprived of, but will ask for present justice. Let the values of land go into the public treasury and take the taxes off all labour products: in other words, increase the tax on land ownership till its value is absorbed, but diminish the tax on improvements and every product of industry till they are wholly free. Monopoly and privilege will thus be destroyed and even the rich will get their own.—Rev. Chas. Hardon in the SINGLE TAX REVIEW (March—April).

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