

THE RATING OF IDLE LAND

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Under the present rating system lands that may have a considerable market value are rated at a very low value if they are kept idle or comparatively idle, so that facilities are given for withholding them from use.

The Problem of Expansion

The results may be seen in many of our large towns, which are kept from expanding as they would otherwise do, by the fact that the owners of surrounding lands, that are being rated on annual valuations far below any reasonable percentage of their selling values, are holding them up at reserve prices which they hope to get when the overcrowding—aggravated by this policy—becomes worse and the demand for more land becomes greater. They have been acting in this way for a long time.

The Royal Commission of 1884-5

This state of affairs received the attention of the Royal Commission that was appointed in 1884 to inquire into the Housing of the Working Classes, and was dealt with in the Majority Report which was signed by most of the Commissioners, including the late King Edward (then Prince of Wales), the late Cardinal Manning, Lord Carrington (now Marquess of Lincolnshire), Mr. Jesse Collings and the late Sir Charles Dilke, who was then President of the Local Government Board and was the Chairman of the Commission.

The Cause and the Cure

The paragraph dealing with the evil and describing the remedy is as follows (Blue-book C.-4402 of 1885, at p. 42):

In connection with any such general consideration of the law of rating attention would have to be given to the following facts. At present, land available for building in the neighbourhood of our populous centres, though its capital value is very great, is probably producing a small yearly return until it is let for building. The owners of this land are rated not in relation to the real value but to the actual annual income. They can thus afford to keep their land out of the market, and to part with only small quantities, so as to raise the price beyond the natural monopoly price which the land would command by its advantages of position. Meantime, the general expenditure of the town on improvements is increasing the value of their property. If this land were rated at, say, 4 per cent. on its selling value, the owners would have a more direct incentive to part with it to those who are desirous of building, and a two-fold advantage would result to the community. First, all the valuable property would contribute to the rates, and thus the burden on the occupiers would be diminished by the increase in the rateable property. Secondly, the owners of the building land would be forced to offer their land for sale, and thus their competition with one another would bring down the price of building land, and so diminish the tax in the shape of ground rent, or price paid for land, which is now levied on urban enterprise by the adjacent landowners; a tax, be it remembered, which is no recompense for any industry or expenditure on their part, but is the natural result of the industry and activity of the townspeople themselves. Your Majesty's Commissioners would recommend that these matters should be included in legislation when the law of rating comes to be dealt with by Parliament.

How the Remedy would Work

Though this recommendation was made as long ago as 1885, it has never been acted on. Yet its application would solve the problem. The economic pressure of

having to pay rates on 4 per cent. of the selling value of the land, whether they are using it or not, would soon induce the owners either to make proper use of it themselves or to dispose of it to others, who would find themselves under the same obligation. The landowners, instead of combining to cause an artificial scarcity of land, would compete with one another to dispose of the land that they were not likely to put to a proper use, their competition and the increase in the available supply of land would enable land to be obtained easily and more cheaply, and the grip of an aggravated land monopoly would be at once relaxed.

Australian Precedents

The States of Australia had to deal with similar difficulties, and applied the simple remedy that was advocated by the Royal Commission more than thirty years ago. Some of them, indeed, had anticipated the recommendation by many years.

Victoria

In the State of Victoria the plan has been in operation since the year 1863, when the Local Government Act, No. 176, section 190, in defining the annual value of land for purposes of rating, added the proviso:

Provided that all rateable property which shall not since the sale, alienation or other disposition thereof by the Crown have been improved by building cultivation or enclosure or in other like manner shall be computed as of the net annual value of five per centum upon the fair capital value of the fee simple thereof.

The Municipal Institutions Act of the same year, No. 184, section 191, also defining the annual value of land for purposes of rating, repeated this proviso, with the additional words:

and that all other rateable property shall be computed as of an annual value of not less than five pounds per centum upon the fair capital value of the fee simple thereof.

The proviso as thus amplified was re-enacted in the Shires Statute, 1869, No. 358, s. 209, and the Boroughs Statute, 1869, No. 359, s. 208, and again, in simplified form, in the (consolidating) Local Government Act, 1874, No. 506, which contained in section 265 the general rule as to the ascertainment of annual value, with the proviso:

Provided that no rateable property shall be computed as of an annual value of less than five pounds per centum upon the fair capital value of the fee simple thereof.

This Act, in turn, was consolidated in the Local Government Act, 1903, No. 1893, which contained a similar provision in section 252 (2). A further consolidation was effected by the Local Government Act, 1915, No. 2686 (Revised Statutes, 1915, vol. iii., pp. 2781-2), in which section 252, which embodies the existing law, runs thus:

252. (1) Every valuation made under this Part shall be made by a competent person or persons to be called valuers.

(2) In every such valuation the property rateable shall be computed at its net annual value, that is to say, at the rent at which the same might reasonably be expected to let from year to year, free of all usual tenants' rates and taxes, and deducting therefrom the probable annual average cost of insurance and other expenses (if any) necessary to maintain such property in a state to command such rent: Provided that no rateable property shall be computed as of an annual value less than five pounds per centum upon the fair capital value of the fee-simple thereof.

The further sub-sections re-enact various provisions relating to certain Crown lands occupied under certain conditions for pastoral purposes, &c.

New South Wales

In New South Wales land-value rating was brought in by the Local Government (Shires) Act, 1905, No. 33, section 33, &c., supplemented by the Local Government Extension Act, 1906, No. 40, section 66, &c. These Acts were consolidated by the Local Government Act, 1906, No. 56, which in section 134 re-enacts in the following form the provision that had been in section 61 of the preceding Act (No. 40) as regards valuations on the basis of annual value:

The assessed annual value of rateable land shall be nine-tenths of the fair average rental of such land with the improvements (if any) thereon: Provided that such assessed annual value shall not be less than five per centum of the unimproved capital value of the land, whether improved or unimproved.

There is a somewhat similar provision in section 7 of the Valuation of Land Act, 1916, No. 2, which relates to rating as well as taxation, that—

The assessed annual value of land is nine-tenths of the fair average annual value of the land, with the improvements (if any) thereon: Provided that such assessed annual value shall not be less than five per centum of the improved value of the land.

South Australia

In South Australia the Municipal Corporations Act, 1890, No. 497, contains the following provision, section 222:

The Council may order assessments of all rateable property within the Municipality to be made according to the principles following, that is to say:—

i. As to any rateable property, except such as is mentioned in sub-section ii. of this section, according to the full, fair, and average estimated annual rent (clear of all outgoings) at which the same would let for a term of not less than seven years if such rent shall be more than five per centum upon the value of the fee-simple of such property, but if not then according to a percentage of five per centum on such value:

ii. As to any rateable property being an area of land within the Municipality, unimproved upon, comprising a block of not less than twenty acres, not divided by roads, and unused, or used only for pastoral or agricultural purposes, according to a percentage of two and a half per centum on the value of the fee-simple.

Whatever may be thought of this differentiation in favour of the latter class of land, it will be seen that the same principle is applied, though at a lower percentage

Western Australia

In Western Australia the Municipal Institutions Act, 1895, No. 10, section 155, contained provisions which were re-embodied in the Municipal Institutions Act, 1900, No. 8, section 327, and afterwards in the Municipal Corporations Act, 1906, No. 32, section 378, which sets out the existing law as to the mode of valuations, with the following, among other, provisions:

(c) The annual value of rateable land which is improved or occupied shall in no case be deemed to be less than four pounds per centum upon the capital value of the land in fee simple.

(f) The annual value of rateable land which is unimproved and unoccupied shall be taken to be not less than seven pounds ten shillings per centum upon the capital value.

In Western Australia also—amplifying the provisions formerly contained in the Roads Act, 1902, No. 48, section 125 (2)—the Roads Act, 1911, No. 29, which provides for rating by Road Boards, contains in section 196 rules for “the valuation of land on the capital unimproved value,” and in section 197 rules for “the valuation of land on the annual value,” those for the latter being as follows:

(a) The annual value of rateable land which is improved and occupied shall be deemed to be a sum equal to the estimated full, fair, average amount of rent at which such land may reasonably be expected to let from year to year, on the assumption (if necessary to be made) that such letting is allowed by law, less the amount of all rates and taxes, and a deduction of twenty pounds per centum for repairs, insurance and other outgoings:

Provided that no rateable land shall be computed under this paragraph as of an annual value of less than four pounds per centum upon the fair capital value of the fee simple thereof.

[(b) relates to the apportionment of the valuation where more parties than one are in possession of a building.]

(c) The annual value of rateable land which is unimproved and unoccupied shall be taken to be not less than five pounds per centum upon the capital value of the fee simple thereof.

Tasmania

In Tasmania the Annual Values Assessment Act, 1911, No. 61, in section 6, defines annual value in some detail, concluding with this proviso:

Provided also that no rateable property shall be computed as of an annual value of less than three pounds per centum upon the capital value of the fee simple thereof; and where the capital value of any such property is shewn by any valuation roll for the time being in force under “The Land Valuation Act, 1909,” such capital valuation shall be used for the purposes of this proviso.

Queensland

In Queensland the principle here advocated has been carried further, and there is no need of any such proviso, because—by the Local Authorities Act, 1902, No. 19, section 195, re-enacting the substance of the Valuation and Rating Act, 1890, No. 24, section 13—the general rule is that

the value of any rateable land shall be estimated at the fair average value of unimproved land of the same quality held in fee simple in the same neighbourhood and is estimated on the basis of capital value.

New Zealand Precedents

In New Zealand the Rating Act, 1876, No. 49, in taking as the rateable value of a property the rent at which the property would let from year to year subject to certain deductions, contained in section 2 the proviso that it “shall in no case be less than five per centum on the value of the fee-simple thereof.”

The (consolidating) Rating Act, 1894, No. 24, contained in section 2 a similar provision. Then came the Rating on Improved Value Act, 1896, No. 5, which enabled localities on the principles of local option to adopt capital unimproved value as the basis of rating. Since that time the law of rating has been consolidated in the Rating Act, 1908, No. 163 (Consolidated Statutes, 1908, vol. v., pp. 58, 61), which, while re-enacting the substance of the Rating on Unimproved Value Act in sections 36-44, provides in section 2 that:

“Rateable value,”—

(a) In respect of property within any district where the system of rating property on its annual value is in force, means the rent at which such property would let from year to year, deducting therefrom twenty per centum

in the case of houses, buildings, and other perishable property, and ten per centum in the case of land and other hereditaments, but shall in no case be less than five per centum of the value of the fee-simple thereof.

Precedents to be followed

These valuable precedents show how easily the recommendation of the Royal Commission can be applied, and that, even though rating as a whole is not placed on a land-value basis, there may yet be grafted on the present system a provision that will lay the axe at the root of a great evil.

THE CLASS STRUGGLE IN RUSSIA

An Uncompromising Land Programme

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The picture of Russia under the Revolution, which the telegrams suggest, is agitated, but it is also confused. The news shows us a world engaged in furious controversy, seething with suspicion, and oscillating between a kind of genial anarchy and a spasmodic assertion of authority. What the news fails to tell us, however, is the real reason for all this violent controversy. One hardly supposes that the Censorship conceals it; perhaps the correspondents in the midst of the struggle hardly realise our aloofness from it. The ultimate reason for the continued efforts of the Cadets, who now lead the anti-Socialist movement in Russia, to discredit the Revolution and upset the Provisional Government is something even deeper than their concern for the discipline of the Army or their lingering attachment to Imperialist war-aims. The ultimate question in Russia is the future of the land. The other issues, though some of them are genuine and important, have their significance chiefly as tactical details in a struggle which turns on something much more vital. The broad fact is that the Provisional Government has already proclaimed in principle the abolition of private property in land. We are used to academic declarations of that kind at Socialist Congresses. This, however, was a declaration made by a Government which has power in its hands. It was more than a declaration: it was a promise given in the name of all Russia to the peasant population. The execution of this promise is, moreover, under the charge of a man who is deadly in earnest about it. Ministers have come and gone, portfolios have changed hands, and to some extent the Cabinet has been diluted by the entry of non-Socialists, but M. Tchernoff, a Socialist-Revolutionary, remains at the Ministry of Agriculture. While he is there it is the definite and uncompromising land programme of his Party, which is being prepared for submission to the Constituent Assembly. . . . The middle classes then, if they are to save the principle of private property in land, must achieve one of two things. They may manage to upset M. Tchernoff in the hope of finding a successor who will present some much more moderate scheme to the Assembly. They may contrive to postpone the Assembly until after the war. They prefer indirect tactics, for the simple reason that peasant Russia is almost to a man behind the Socialists and their land scheme. On that issue a straight fight is for them hopeless. . . .

The Russians are an unsophisticated people who take

their theories literally. They really do propose to deprive all private owners of their superfluous land and to pay no compensation whatever for what is taken away. Their central principle is that every family which wishes to live by the land has a right to that amount, no more and no less, which a family can cultivate with its own hands. There is plenty of land to go round, and the system of farming is still deplorably primitive; families also are large. The average allowance for each family will accordingly reach a figure, startling to our Western notions, of from thirty to thirty-five acres. The big estates are to be pared down to this minimum, and if the former owner chooses to work with his own hands, he will keep this remnant of his property. What is gained by breaking up the estates of the gentry, the Church lands, and the Crown domains will be divided among the peasants or added to their present inadequate holdings. It will not, however, be their property. It will be theirs to use just so long as they cultivate it, but, apart from improvements, it will not be theirs to sell. The owner of the land will be the commune, or parish. Woods, a valuable form of property in Russia, will belong to the whole commune, or to a group of neighbouring communes. The principle is simple. The details are more complicated, but since I gathered them only in a hasty but most interesting conversation with a Russian expert, I will not trust myself to reproduce them fully. It is obvious that since land varies in fertility, and population in density, and since, moreover, many former peasants who are now in the towns and the Army will want to return to the land, an immense work will have to be done before the distribution is complete. The boundaries of the communes will have to be rearranged, and there will be considerable migration from the relatively congested to the relatively unoccupied areas. The grouping of communes by districts and counties will allow for the decentralisation of this enormous task. Property will be recognised in improvements, but not in the "prairie-value" of land, and that, of course, means that to some of the present owners some payments will be due. I do not know whether, in default of this, it is proposed to make any compassionate grant to former landowners, the aged, for example, who will be unable to till their own allowance of soil. So far as I can gather, any form of compensation for the land itself (apart from an owner's own improvements, which are not as common or as valuable in Russia as they are here) is thought to be impossible. The peasants neither can nor will pay anything, and, indeed, they have to a great extent occupied the land already, while the State, with its crushing war charges, its load of foreign debt, and its pitifully depreciated paper currency, is too near bankruptcy to assume the burden. Even on the assumption that an appreciable sum is paid for improvements (and apparently the average landowner cannot claim much on that score), and that some mercy is shown for hard cases, the proposal means revolution. We have all been thinking of the Russian upheaval as a political Revolution. It may leave industrial capital comparatively secure for the time being, but the land is by far the most important form of property in Russia. The Revolution is, therefore, for 90 per cent. of the population, a social as well as a political revolution. There are differences as to detail and theory among the various Socialist groups. The Social Democrats would transfer ownership to the State and would nationalise land. The Social Revolutionaries prefer to make it over to the commune or parish. The essential fact is that private ownership is doomed.

With this enormous fact, the abolition of private property in land, in the foreground of one's mind, it is possible to understand the present unrest in Russia. It is a social and not merely a political struggle that is going on, none the less deadly because it is fought so largely over side issues. . . . Is it wise, you ask, to force this issue? The Revolution has no choice. The peasants and the peasant soldiers will follow it only on this condition.