

Great Britain

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THE MOVEMENT FOR LAND-VALUE TAXATION RECEIVED a great impetus between 1902 and 1905, when many municipalities¹ throughout England, Wales and Scotland joined in petitioning Parliament for legislation enabling local taxes to be levied on the value of land apart from buildings and other improvements.

THE BRITISH SYSTEM OF TAXATION

Without arguing the principles of land-value taxation in their wider application, our concern here is to present a review of how the movement fared in Parliament after it entered those doors. Yet a preliminary remark is necessary with regard to the taxation in Great Britain that bears on the ownership and use of land. Excepting for the purposes of the death duties, which are levied on selling value, landed property—that is, land together with any buildings or other improvements thereon—is assessed on the basis of the rent that the property might be expected to yield if, at the date of the assessment, it

¹The term "municipalities" as here used embraces all local authorities; viz., cities, boroughs, counties and county districts, both urban and rural. These local authorities raise local taxation, each within its own area.

were let for a year *in its existing condition*. Upon that assessment property owners are subject to the income tax imposed by Parliament. The same assessment of landed property applies to the local rates levied by the local taxing authorities, but with this difference—that the local rates in England and Wales are chargeable on the occupier of the premises so that, in the case of tenancies, the tenant pays rent to the owner and in addition pays the local tax to the local authority.² Irrespective, however, of who actually pays the rates and taxes, the present system has these results: The *use* of land is taxed; the better the use, the higher the tax. Every improvement to a property is the occasion for an increased assessment; every neglect or dereliction can occasion a lowered assessment. If land, however valuable it may be, is idle, there is no assessment. Vacant premises, so long as they are empty, are exempt from the charge of rate or tax.³

AGITATION FOR MUNICIPAL TAX REFORM

The municipal agitation to amend the law governing local rating dates back to 1895. The Council of the City of Glasgow took the initiative in that year, and by 1906 it had gained the support of no fewer than 518 Scottish,

²In Scotland, however, some part of local taxation is borne directly in an "owner's rate" by the owner of the premises. Nevertheless, as to the "occupier's rate" in both countries, it will be seen how the rate may be any figure depending on the revenue needs of the local authority concerned. It may be 10s. or 15s. or 20s. or (often) very much more per pound of the ratable assessment.

³The term "rates" applies to local taxes. Such terms as "the rating system," "ratable values," the "rating of land values," used hereafter, apply to *local* government finance as distinct from parliamentary taxation, to which the word "tax" and its derivatives are usually confined.

English and Welsh local authorities. Between 1902 and 1905, eight bills, some for England and Wales and some for Scotland,⁴ were introduced by Liberal Party members, but with the Conservatives in power, none of them progressed beyond discussion.

At the general election in January 1906, the Liberal Party won to power with an overwhelming majority. In February of the same year, to an influential deputation representing 118 municipal bodies, the government gave assurance of its intention to go forward with the valuation and the (local) taxation of land values. Later in the year the bill promoted by the Glasgow Corporation and named the "Land-Values (Scotland) Bill," was presented by one of the Liberal Party members, its provision being for a land-value rate limited to 2s. in the pound of annual land value. It passed the second reading⁵ by a majority of 258 and was referred to a Select Committee, which recommended that the first step should be a valuation of the land, adding that when land-value rating did take effect it should be applied fully and at once, accompanied by the total exemption of buildings and improvements. Following the first part of the recommendation and providing for the land valuation, the Land-Values (Scotland) Bill was presented as an official government-sponsored measure and was carried in the House of Commons in August 1907. It

⁴Scotland has separate legislation because of the differences obtaining between English and Scottish law.

⁵A bill is presented in Parliament at the "first reading"; debate on general substance follows at the "second reading"; clauses are debated in detail at the "committee stage"; further detailed examination takes place at the "report stage." Then follows the "third reading." A vote is taken after each "reading."

was then sent to the House of Lords and was there rejected. In 1908 it was passed again by Commons and was once more sent to Lords, only to be so mutilated by them that the government decided to abandon the measure.

THE LLOYD GEORGE FINANCE BILL, 1909-10

But the issue was not dead. It came up again a year later as a Money Bill under the Lloyd George Finance Bill of April 1909. This bill embodied provisions for a valuation of the land of the whole country, and linked with this were three taxes called "Land Value Duties." These were by no means the taxation of land values; actually they were selective and discriminatory imposts. They included a tax taking 20 per cent of increases in land values proved to have arisen on sales or transfers^{5a} of land occurring after April 30, 1909; an annual tax of one halfpenny in the pound on the value of undeveloped land—defined in the bill in such way as to provide all sorts of loopholes for avoiding the tax—and a tax of 10 per cent of the value of leasehold reversions.⁶ The structure of the valuation itself was complicated and had a number of imperfections involving the need for ascertaining as many as four, and sometimes five, values in land—its "gross," its "total," its "full site," its "assessable site" value—all highly technical because of the complexities of the so-called "land-value duties"—and, for

^{5a}Whereas the German land-value-increment taxes applied only at the time of a sale, the English land-value duties applied on all occasions of transfer, whether the increment had actually accrued to the owner or was only potentially realized.

⁶The interest of a landlord after expiration of a lease.

certain lands, the "agricultural" value. Nevertheless, the great question had been raised. The bill passed Commons and was sent to the Lords.

The House of Lords could, without overreaching its powers, block any legislation coming from Commons, although they heretofore had refrained from interfering with Money Bills, such as was the Lloyd George Finance Bill, for raising parliamentary revenues. But the idea, generally held, that they would not dare to interfere with such bills soon proved mistaken. The Lords met the challenge head on, defying Commons and rejecting the measure on November 22, 1909.

This produced a constitutional crisis. Parliament was dissolved on January 10, 1910, and a general election followed. The government was returned and immediately resubmitted the Lloyd George Finance Bill to the Lords, who thereupon gave consent to the measure, which was enacted as the "Finance (1909-10) Act 1910."

But the contest between the two Houses was not over. In December 1910 the government called another general election, seeking, and obtaining, a mandate to settle the issue. Under threat by the Prime Minister that he would advise the creation of enough peers to swamp the Upper House, the Parliament Act of 1911 went through, and it was written into the Constitution that the Lords never again could interfere with Money Bills. Moreover, a two-year limit was put on their power to hold up any other legislation.⁷

The land valuation ordered by the Finance (1909-
⁷Reduced to one year by act of the Labour Government in 1949.

10) Act 1910 proceeded, but it was such a cumbersome thing that the valuers were at work for five years and even then did not complete their job. As has been stated, one of the values that it was necessary to ascertain was the "full site" value; if that had been correctly defined in the law, it would have provided the basis for the eventual levy of a true tax on land values and for the local rating of land values as well. In 1914 the government produced a revenue bill to put that definition right, but war broke out that year and as a consequence all reform legislation was stalled. So nearly was the goal reached.

During the war there came a split in the Liberal ranks.⁸ As a result, the radical wing of that party was driven into the political wilderness and the government that came to power after the general election of December 14, 1918, was wholly dominated by Conservatives. The latter made the most of their opportunity to press for the repeal of the land clauses in the Finance (1909-10) Act 1910, and in 1922 they finally succeeded. As a result, Lloyd George was forced to witness the smashing of his own legislation and to see its destruction celebrated by the government actually refunding to the landowners what they already had paid in the form of land-value duties.

Soon afterwards the Conservatives ejected Lloyd George from his office as Prime Minister, formed their own administration and, in November 1922, called a

⁸Some of the Liberals had criticized Lloyd George's military tactics. At the close of the war in 1918 Lloyd George, unforgiving toward these critics, endorsed only those candidates (of all parties) who had supported him throughout.

general election. They were returned, but as they lacked what they most wanted—a clear mandate to institute a full-blown protectionist system—they went to the country again in November 1923, and this time were soundly defeated.⁹

THE FIRST LABOUR GOVERNMENT

At the November 1923 general election, the Liberal and Labour parties had both reaffirmed their pledges in favor of land-value taxation. Together they had a majority of 83 in the House, although no actual partnership was formed. A Labour Government took office with, fortunately, Philip Snowden as Chancellor of the Exchequer. He was determined to abolish the then existing protectionist tariffs, and his Finance Act of 1924 did much in that direction. Moreover, he promised that his next Finance Bill would provide for a far-reaching measure of land-value taxation. But this was not to be. The Conservatives created a storm because the government had abandoned the prosecution of a leading Communist accused of seditious writings, and in the ensuing fracas¹⁰ Ramsay MacDonald, the Prime Minister, was forced to

⁹On this, the one and only occasion since 1906 when the country had the opportunity to give its verdict on the issue, Free Trade was triumphantly vindicated. It was only by political trickery and treachery that the British free-trade system was afterwards uprooted.

¹⁰The Liberals proposed an inquiry which would have quietly shelved the whole matter, but Ramsay MacDonald bridled at the idea and threatened resignation if it were carried. The Conservatives astutely withdrew their vote of censure and supported the proposal of the Liberals, thus trapping that party into responsibility for destroying the government. During the election campaign the Conservatives made full use of the Communist bogey and especially of the notorious Zinoviev letter (afterward proved to be a forgery) and romped home with an over-all majority of 200.

resign. This precipitated a general election (October 1924), and the two parties who, allied, could have achieved so much went down to shameful defeat. It was one of the greatest catastrophes in British democratic history.

The new government, again headed by Conservatives with Stanley Baldwin as Prime Minister, Winston Churchill as Chancellor of the Exchequer and Neville Chamberlain as Minister of Health, lasted out their term of five years. The reactionary nature of their legislation was shown most markedly by the so-called "Derating Acts"¹¹ by which agricultural land, however valuable, was exempt entirely from local taxation, and industrial concerns¹² were given the special privilege of having to pay only one quarter of the local taxes otherwise applying to them. A huge, continuing public dole to farmers and manufacturers was established, financed by the national Exchequer providing increased grants to the local authorities, to be obtained, of course, from higher taxes levied on consumers. It was lamentable that Winston Churchill could sponsor such pernicious legislation, glibly defending it by the use of the protectionist arguments he had once so effectively exposed.

THE SNOWDEN FINANCE BILL 1931

At the next general election in May 1929, the Conservatives were overthrown and the Labour Party, securing

¹¹The Rating and Valuation (Apportionment) Act 1928; the Local Government Act 1929, and the Agricultural Rates Act 1929.

¹²Those engaged in manufacturing of any sort and in the processing of goods. The privilege was not extended to retailers, wholesalers, warehousemen or commercial firms engaged solely in the purchase and sale of goods.

288 seats as against the Conservatives' 268 and the Liberals' 59, took office, its life dependent on the support that a sufficient number of the Liberals (a camp divided in itself) were prepared to give. Philip Snowden, once more Chancellor of the Exchequer, presented his proposals for land-value taxation in his Finance Bill 1931. These provided for a valuation of the capital value of all land, apart from buildings and other improvements, and for the levy of a tax of one penny in the pound of that value (equivalent to 1s. 8d. in the pound, or 8 per cent, of annual land value).¹³ As introduced, the measure had some blemishes. For one thing, it did not include the value of minerals or the value that farmland had for purely agricultural purposes. Also, it suffered by an amendment, forced upon Snowden by some Liberals, which mixed the income tax with the land-value tax and had the effect of reducing the rate of the latter. But the matter of vital importance was that a provision for valuation of the land of the entire country was secured under conditions vastly superior in simplicity and definiteness to those in the Lloyd George legislation of 1909-10.

The Finance Act 1931, embodying Snowden's proposals, was passed on July 31 of that year. But again a crisis broke. The government had been spending vast sums on unemployment schemes and unemployment relief, and huge deficits in the national accounts had accumulated. The Liberals and Conservatives, acting together, insisted that cuts be made in the relief to the unemployed. The Cabinet refused and the Labour Gov-

¹³That is, the annual rental value.

ernment fell, to be displaced on August 27, 1931, by a new-formed Coalition Government which Ramsay MacDonald and Philip Snowden joined.¹⁴ Indeed, Snowden was foremost in the drive for retrenchment, but in what afterward occurred, in what was done in the name of financial stability and restoration of confidence, that great Free Trader and protagonist of land-value taxation had bitter pills to swallow. In breach of faith,¹⁵ under autocratic decrees and without wasting a moment, the Coalition Government imposed heavy tariffs, followed by the General Tariff and the Ottawa Imperial Preference Agreements of 1932. In protest against these Ottawa Agreements, those of the Liberals in the Cabinet who were Free Traders resigned, as did Philip (by that time Lord) Snowden, whose burning words of remonstrance and castigation for the betrayals that had been committed still ring in the memory.

REPEAL OF THE SNOWDEN LAND-VALUE ACT

The fate of the land-value legislation was sealed. On December 8, 1931, shortly after the election, Neville Chamberlain, now Chancellor of the Exchequer, announced the government's decision (taken at once

¹⁴The general election held the following October confirmed this government. On its benches sat 471 Conservatives, 68 Liberals and 13 Labour Party members. In opposition were 52 of the Labour Party and 4 Liberals. The Conservatives were now in full command, but the façade of a coalition was preserved by retaining Ramsay MacDonald as Premier and by distributing various ministerial posts among the parties to this alliance.

¹⁵In the appeal to the electorate, popular support had been cajoled by repeated pledges that there would be no partisan maneuvering ("I am not their man for that," MacDonald said), nor any resort to tariffs without previous consultation among members of the coalition.

though not legalized until seven months later) to suspend the making of the valuation and disperse the staff engaged upon it. But the Conservatives were not satisfied with a mere suspension that left an open date for a resumption of the work. They forced the government to repeal the legislation *in toto*, this being accomplished in the Finance Act of 1934. Thus was fulfilled the earlier pledge of Stanley Baldwin, who, in June 1931, when the Snowden proposal for the land-value tax was being debated, declared: "I can say one thing about it, that if we get back to power, that tax will never see daylight."

Protests poured in upon the government, especially from many of the municipalities favorable to land-value rating, who saw what the abandonment of the valuation meant to them. The United Committee for the Taxation of Land Values (London) also added their voice. In their manifestoes they charged the government with having "obeyed the behests of those who benefit from that monopoly which does the greatest hurt of all to society." Prime Minister Ramsay MacDonald was stung to a reply. He wrote to the United Committee, his letter dated May 14, 1934, offering excuses for the government's action, and added, "It may be argued that the step which has been taken indicates the power of certain interests." This was an extraordinarily humiliating admission to come from the head of the State, and in the eyes of his Tory masters this Prime Minister had committed a blazing indiscretion.

In June 1935 the government took advantage of the international crisis to rush a general election. The situa-

tion was so well exploited that questions of domestic policy were largely pushed into the background, and the government, labeling itself "National" but dominated by Conservatives, was returned, to control the destiny of the country for the next ten years.¹⁶ Stanley Baldwin, Prime Minister until his retirement in 1937, was succeeded by Neville Chamberlain, followed in 1940 by Winston Churchill, who remained Premier until the government was overthrown in the general election of July 1945.

REVIVAL OF MUNICIPAL CAMPAIGN

On the municipal front, from 1935 onward, the campaign pressing for the legislation necessary to provide for the rating of land values was vigorously maintained. By 1947 no fewer than 263 local authorities had responded to the lead given by Cardiff, Manchester, Stoke-on-Trent, Edmonton and other city councils, but most notably by the London County Council. The last named had been captured by the Labour Party in the municipal elections of 1934, and in that campaign the question of land values played a prominent part. Determined steps were taken. The County Council, through its Finance Committee, made a thorough inquiry into the local taxation system and an illuminating report was produced. This advised that the government be urged to introduce legislation empowering local authorities to levy a rate on site values.¹⁷ From the government came

¹⁶The law relating to quinquennial Parliaments was abrogated during World War II.

¹⁷Meaning, of course, the value of land apart from improvements.

the curt answer that no action of the sort would be contemplated. The Council then prepared and presented a bill applying only to the metropolitan area—the “London Rating (Site Value) Bill”—providing, as a start, for a county rate of 2s. in the pound of annual land value. Technically, it had to go forward as a “private bill,” since it applied to London alone, and it was so presented on February 8, 1939. The Tories, hoping to see the measure dismissed without debate, gave challenge on a matter of procedure and were supported by the Speaker of the House, who ruled that it could not go forward as a private bill because it raised “questions of public policy of great importance and affected interests of vast magnitude.” Later, on February 15, 1939, it was presented again under a different procedure as a “public bill.” This forced the Tories to vote, and the bill was defeated, 229 to 135.

Thus we see that on four occasions—in 1908, in 1924, in 1934 and in 1939—legislation leading to the taxation and rating of land values was brought to the House of Commons and backed by a great popular sentiment. Nevertheless, it was cast aside. And by whom? By the political agents of the landed interests, possessing power fortuitously, or achieving it otherwise, and exercising it basely to safeguard an indefensible privilege.

The Snowden Act of 1931 and the London Bill of 1939 had been pressed by the Labour Party. It was natural to expect, and it was expected, that these measures, with their provisions well prepared for adoption, would be taken up and reintroduced by the Labour Party when its opportunity came. The obvious line was (1) a Fi-

nance Bill instituting a national tax on land values, thereby securing a valuation of the land of the whole country; (2) a bill to reform the basis of local taxation, empowering all local authorities to levy their rates on land value, and (3) through the taxation and rating of land values to reduce the taxes and rates on wages, on trade, on industry and on improvements. But that course was not followed. On the contrary, the Labour Party, having won its sensational victory at the polls on July 5, 1945, promoted legislation which, so far as the land is concerned, was of a wholly retrograde and disastrous character.¹⁸

LABOUR GOVERNMENT LEGISLATION

Three acts passed by the Labour Government call for special comment: the Agriculture Act of 1947, the Town and Country Planning Act of 1947 and the Local Government Act of 1948.

The Agriculture Act, 1947, established guaranteed prices and guaranteed markets for farmers and subsidized and controlled all food production. While it gave some security and protection to the tenants, it subjected all farmers, whether owners or tenants, to control by

¹⁸Through its nationalization schemes the Labour Government brought under its control the Bank of England; the coal, iron and steel industries; the railways and long-distance road transport; gas and electricity; civil aviation and foreign cables. Controls were also applied to a considerable sector of private industry and trade. Three hundred acts of Parliament were passed, accompanied by 20,000 statutory instruments empowering government departments to make regulations having the force of law. Many acts bearing on the land question were put through, such as those for road widening, coast protection against erosion, water supplies, reconditioning wasteland and other improvements at the public expense—all enhancing the value of land over wide areas, but with no provision that the cost of such improvements should be met out of land values.

county agricultural committees so severe that any landholder could be evicted who did not follow the "rules of good husbandry," as those committees conceived them. The subsidies only raised higher the monopoly price of land, and the general effect of the act was to make a closed shop of the farming industry.

The Town and Country Planning Act, 1947, dealt with the physical planning or zoning of land and embodied special provisions to that effect.¹⁹ These, in broad outline, were as follows:

1. Building developments and material changes in the use of land and premises could be made only with official sanction.

2. A State monopoly of the right to develop land was created.

3. A global "share-out" fund of £300,000,000 of public money was to be paid by way of compensation to landowners deprived of the development value of their land. This, in effect, meant that the public would purchase from landowners the future land values created by the community itself.

4. Any would-be developer of land had to buy from the State the monopoly value of the permission to develop, this payment, called a "Development Charge," being the difference between the two values of property which the act had established. One of these values was the assumed selling value of the property supposing it

¹⁹See articles on the act appearing in *Land and Liberty* (London), January, May and June 1947, March, July and November 1948, February and November 1949 and December 1950. Also, reports of Parliamentary debates, March and July 1947, May 1948, November 1949 and January 1950.

was condemned perpetually to remain in its existing state—the “existing use value.” The other was what the property would be worth if it carried the benefit of the permission to make the development in question.

The effect of the Charge, falling as it did only on development and in relation to its extent, was clearly to penalize, retard—and even prevent—development. Experience proved that to be the case.

The Local Government Act, 1948 confirmed the total exemption of agricultural land from local taxation and the three-quarters’ relief to manufacturers. Embodying as it did new schemes for distributing subsidies from the Treasury to the local authorities, it gave further impetus to the process by which local self-government was gradually being undermined. Otherwise the act left the local taxation system (already described) substantially unchanged. It did, however, provide for a general reassessment of properties subject to that local taxation, no revision having taken place since 1934. The expectation was that these assessments might be completed by the year 1953, but the legislative machinery broke down completely owing to the peculiar methods that were applied distinctively to dwelling houses, discriminating them from all other properties in the fixing of their ratable value.

When the Local Government Act, 1948 was being debated in Parliament (November 15, 1947), disappointment was expressed that there was no provision for levying the local rates on land values, as the earlier statements of the Chancellor of the Exchequer, Hugh

Dalton, had given grounds to expect. An Enquiry Committee was therefore appointed with instructions to consider and report upon the "practicability and desirability" of a rate on land values, but with the inhibiting condition, "having regard to the provisions of the Town and Country Planning Act and other factors." The committee, its hands tied in advance, spent four and a half years in its deliberations, its report²⁰ not being issued until April 1952.

The Majority Report, signed by six members, declared that "the meeting of any part of local expenditure by an additional rate on site values, having regard to the Town and Country Planning Act and other relevant factors, is neither practicable nor desirable." The Minority Report, signed by three members, declared that "the rating of site values is both practicable and desirable; the arguments in favor of it stand unimpaired; the only event since 1939 having a material bearing upon the matter is the Town and Country Planning Act, 1947; this involves some changes in the method of application but does not affect the principle."

The Labour Government, nearing the end of its term, went to the country in the election of February 1950 and returned with a bare majority of six over all other parties, to live a precarious existence that lasted but a year and a half. The next general election, in October 1951, returned the Conservatives to power.

²⁰*The Rating of Site Values; Report of the Committee of Enquiry*. Her Majesty's Stationery Office, London, 1952. (Price 5s.) For a review of this report see *Land and Liberty* (London), May 1952.

DOOM OF LABOUR PARTY LEGISLATION

It remains to record two important recent events. The Conservative Government has so drastically amended the Town and Country Planning Act that the Development Charge has been abolished together with the State monopoly of the right to develop. The obligation to pay out £300,000,000 in one large sum to landowners has been avoided by making other arrangements with regard to compensation, so that it is now to be paid piecemeal as and when permission to carry out developments is withheld. By these amendments in the Town and Country Planning Act, the position, so far as landlord privileges and perquisites are concerned, is as it was before the act was passed. On the other hand, by these amendments the road to the taxation and rating of land values is now clear of the obstacles which the Labour Government had put in the way. And it may be remarked that the disappearance of the Development Charge of the Town and Country Planning Act dissolves the adverse arguments of the Majority Report of the Enquiry Committee on site-value rating and substantiates the findings of the Minority Report.

As for the provisions in the Local Government Act, 1948, for distinctive and peculiar methods of assessing dwelling houses—a scheme that broke down hopelessly—the Conservative Government suspended and rescinded that part of the act. It has since passed new legislation restoring methods and standards of assessment essentially the same as have heretofore obtained. The old system has been patched up and so many are

the difficulties entailed that the assessments, such as they will be, are not to be applied until 1956 at the earliest.

These efforts will avail nothing. The system must be rebuilt from its foundation upon a basis that will recognize how foolish and how wrong it is to tax any building or other improvement, and how wise and how right—how beneficial in the interests of the community—it is to provide public revenue out of the value attaching to land—the value that in nature and in origin rightfully belongs to the community.

March 30, 1954