

ESSAYS IN LIBERALISM

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THE LAND QUESTION

BY A. S. COMYNS CARR

Member of Acquisition of Land Committee, 1918.

MR. COMYNS CARR said :—The Land Question I believe to be the most important subject in purely domestic politics to-day, as it was in 1914. At that date we were embarking, under the especial leadership of one who has now deserted us, upon a comprehensive campaign dealing with that question in all its aspects. The present Government has filled a large portion of the Statute Book with legislation bearing on the land ; it is not the quantity we have to complain of, but the quality. In 1914 we had already achieved one signal victory in carrying against the House of Lords the Land Clauses of the Budget of 1909-10, and although many of us were never satisfied with the form which those clauses took, they were valuable both as a step in the direction of land taxation and for the machinery of valuation which they established. Mr. Lloyd George in his present alliance with the Tories has sunk so low as not only to repeal those clauses, but actually to refund to the landlords every penny which they have paid in taxation under them.

The campaign which was inaugurated in 1913 did not deal with the question of taxation only,

and for my part, although I am an enthusiast on this branch of the subject, I have never thought that other aspects should be neglected. We put forward proposals for dealing with leases both in town and country. The present Government has carried and repealed again a series of statutes dealing with agriculture. Their original policy was to offer to the farmer guaranteed prices for his produce, if necessary at the expense of the tax-payer, and to the labourer guaranteed wages, to be fixed and enforced by Wages Boards. Before this policy was fully in operation it was repealed. The farmer got some cash compensation for his losses; the labourer has got nothing but voluntary Conciliation Boards, with no power to do more than pass pious resolutions. There has, however, survived this welter of contradictory legislation, a series of clauses which do confer upon the tenant farmer a substantial part of the rights in his dealings with his landlord for which we were agitating in 1914. The town lease-holder, on the other hand, has got nothing, and it is one of the first duties of the Liberal Party to provide him with security against the confiscation of his improvements and goodwill, to give him reasonable security of tenure, and to put an end once for all to the pestilent system of building leases which extends all over London and to about half the other towns of England. The evils of this system are especially to be found in those older parts of our great cities where the original leases are drawing to a close. In such cases a kind of blight appears to settle on whole neighbourhoods, and no improvements can be

carried out by either party because the landlord cannot obtain possession, and the tenant has not, and is unable to obtain, a sufficient length of term to make it worth his while to risk his capital upon them.

HOUSING

The branch of the land question to which the Government called the greatest attention in their election promises was Housing. On this subject the Government have placed many pages of legislation on the Statute Book. One can only wish that the houses occupied as much space. They began by informing us, probably accurately, that up to the time of the Armistice there was an accumulated shortage of 500,000 houses; in pre-war days new working-class houses were required, and to a certain extent provided, although the shortage had then already begun, to an average number of 90,000 a year. According to the official figures in July last, 123,000 houses had been completed by Local Authorities and Public Utility Societies; 37,000 by private builders with Government subsidies; 36,000 were under construction, and as the Government have now limited the total scheme (thereby causing the resignation of Dr. Addison, its sponsor) there remain 17,000 to be built. This is the record of four years, so clearly the Government have not even succeeded in keeping pace with the normal annual demand, and the shortage has not been attacked, but actually accentuated.

The cause of the failure was mainly financial.

Without attacking the roots of the evil in our land and rating system, and without attempting to control the output and supply of materials and building in the way in which munitions were controlled during the war, the Government brought forward gigantic schemes to be financed from the supposedly bottomless purse of the tax-payer. At the same time the demand for building materials and labour in every direction was at its maximum, and unfortunately both employers and employed in the building and allied industries took the fullest advantage of the position to force up prices without regard to the unfortunate people who wanted houses. The Trade Unions concerned seem to have overlooked the fact that if wages were raised and output reduced houses would become so dear that their fellow-workmen who needed them could not attempt to pay the rents required, and the tax-payer would revolt against the burdens imposed upon him ; thus the golden era for their own trade was bound to come to a rapid end, and, so far from employment being increased and prolonged, unemployment on a large scale was bound to result. With the Anti-Waste panic and the Geddes Axe, social reform was cut first, and, in their hurry to stop the provision of homes for heroes, the Government is indulging in such false economies as leaving derelict land acquired and laid out at enormous cost, even covering over excavations already made, and paying out to members of the building trade large sums in unemployment benefit, while the demand for the houses on which they might be employed is left wholly unsatisfied.

LAND FOR PUBLIC PURPOSES

The Acquisition and Valuation of Land for the purpose of public improvements is a branch of the question to which a great deal of attention was drawn during and immediately after the war. The Government appointed a Committee, of which the present Solicitor-General was chairman, and which, in spite of a marked scarcity of advanced land reformers amongst its members, produced a series of remarkably unanimous and far-reaching recommendations. These recommendations dealt with four main topics:—

(a) Improvements in the machinery by which powers may be obtained by public and private bodies for the acquisition of land for improvements of a public character ;

(b) Valuation of land which it is proposed to acquire ;

(c) Fair adjustment as between these bodies and the owners of other land, both of claims by owners for damage done by the undertaking to other lands, and of claims by the promoting bodies for increased value given by their undertaking to other lands ; and

(d) The application of these principles to the special subject of mining.

The Government in the Acquisition of Land Act, 1919, has adopted a great part of the Committee's recommendations under the second head, and this Act has undoubtedly effected an enormous improvement in the prices paid by public bodies

for land which they require, although, most unfortunately, the same immunity from the extortion of the land-owner and the land speculator has not been extended to private bodies such as railway companies who need land for the improvement of public services. Moreover, it has not attempted to bring the purchase price of land into any relation with its taxing valuation.

The whole of the rest of the Committee's recommendations dealing with the other three points which I have mentioned, the Government has wholly ignored. Powers for public development can still only be obtained by the slow, costly and antiquated processes in vogue before the war ; private owners of lands adjoining works of a public character are still in a position to put into their own pockets large increases in value due to public improvements to which they have contributed nothing, and which they may even have impeded ; the development of minerals is still hampered by the veto of unreasonable owners, by the necessity of leaving unnecessary barriers between different properties, and by other obstacles which were dealt with in detail in the Committee's report. An illustration of the importance of this aspect of the question was put before the Committee and has been emphasised by recent events. It was stated on behalf of the railway companies that they were prepared with schemes for the extension of their systems in various parts of the country, which would not only provide temporary employment for a large number of men on construction, and permanent employment to a smaller number on the working

of the lines, but would also open up new residential and industrial districts, but that it was impossible for them to find the necessary funds unless they could have some guarantee that at least any loss upon the cost of construction would be charged upon the increased value of land in the new districts which would be created by the railway extensions. Remarkable instances were given of the way in which the value of land had been multiplied many-fold by the promotion of new railways, which, nevertheless, had never succeeded in paying a dividend to their shareholders, and the capital cost of which had been practically lost.

On the other hand, the Committee were assured that, given a charge on the increased value of land likely to be created, there would be no difficulty in obtaining the necessary funds without Government assistance. When the pressure of the unemployment problem became acute, and not before—and then it was, of course, too late—the Government turned their attention to this problem, and have guaranteed the interest upon new capital to be expended on a few of these railway extensions, but instead of charging the guarantee upon the increased value of land, they have charged it upon the pocket of the tax-payer. The most striking instance is that of the tube railway from Charing Cross to Golders Green, now being extended under Government guarantee to Edgware. Those who provided the original capital have never received any return upon their money, yet millions have been put into the pockets of the owners of what was undeveloped land now served

by the line, and now that the extension is being carried out with the tax-payers' guarantee, the land-owners will again reap the benefit untaxed.

The development of the natural resources of our country was one of the promises held out by Mr. Lloyd George to the electors in 1918. Schemes were ready, and are still in the official pigeon-holes, for the production of electricity on a very large scale both from water power and from coal, which would not only provide employment, but cheapen the cost of production in all our industries. France, Italy, and other countries are at this moment carrying out similar schemes whereby they will relieve themselves to a large extent from dependence on British coal. But here, four years of Coalition Government have left us practically where we were. In France, although in many respects her social system seems to me less enlightened than our own, the power of the land-owner to obstruct enterprise and development is by no means so great. Land Reform in this country is a necessary preliminary to the fulfilment of Mr. Lloyd George's promises. Development at the public expense without such reforms will result chiefly in further burdens upon the tax-payer and further enrichment of the landowner.

RATING RELIEF FOR IMPROVEMENTS

This brings me to the last, and in my opinion the most important branch of the Land Question, that relating to the reform of our system of rating and taxation. I am myself an ardent supporter of the policy which I think has been rather unfortunately

named the Taxation of Land Values. The vital point about this policy is not so much that we should tax land values, as that we should leave off taxing buildings and other improvements of land. The policy would be better described as the Relief of Improvements from Taxation. Its economic merits seem to me so obvious as hardly to require examination. It is only because the present system has been in force for over 300 years that it can find any supporters. If any one were to propose as a useful means of encouraging the steel trade or the boot trade, or as a desirable method of taxation, that a tax of, say, 50 per cent. should be imposed upon the value of every ton of steel or every pair of boots turned out in our factories, he would be rightly and universally denounced as a lunatic. Yet this is the system which ever since the days of Queen Elizabeth has been in force with regard to the building trade and all other industries which result in the production of improvements upon land.

As long as land remains unused it pays no rates or taxes, whatever its immediate potential value. But the moment it is brought into use, as soon as a house, a factory, or a railway is built upon it, or it is drained or planted—rates and taxes, which in these days often exceed 50 per cent. of its improved value, have to be paid, without regard even to the question whether its use is successful in yielding profits or not. Familiarity with this system, instead of breeding the contempt which it deserves, has bred a kind of passive acquiescence which is exceedingly difficult to shake. Even such a champion

of our land system as the Duke of Bedford years ago in his book, *The Story of a Great Agricultural Estate*, perceived the absurdity, although he was apparently blind to the remedy and to the application of it to some of his estates which are not agricultural. He converted an ordinary arable field into a fruit garden, and discovered that his rates were promptly trebled by reason of his expenditure. Striking, but, nevertheless, everyday examples may be found if we see how the system works out in urban districts. If a new factory is built, rates and taxes are immediately levied on the full annual value of the building, which is a direct charge upon production, and has to be paid before a single person can be employed in the factory. It therefore not only restricts the possibilities of employment, but has to be added to the price at which the goods can be sold.

THE LESSON OF THE SLUMS

Or take the illustration of a slum area. Each tumble-down tenement is rated and taxed on the assessment based upon its annual rental value. In many places in the central parts of towns the total of these assessments is less than the sum for which the whole site could be sold as a building area, nevertheless if all the tenements fall or are pulled down the site may remain vacant for years and no rates or taxes are paid. But if substantial and decent buildings are erected on the site, immediately the assessment is raised to their full annual value. The individual or public body that

has cleared away the slum and erected something decent in its place is thus immediately punished for doing so, with the result that such a thing is seldom done except at the public expense. The remedy for all these absurdities is quite a simple one. No one disputes that the sums necessary for municipal and imperial taxation have got to be provided. The question is, in so far as they are to be raised from lands and buildings, how can they be assessed most fairly and with the least injury to trade and commerce? They should be assessed upon the value of land which is not due to any effort of the owner or occupier; they should not be assessed upon nor increased because of any buildings which he may have erected or any improvements which he may have carried out.

This question was closely investigated by the Land Enquiry Committee appointed by Mr. Lloyd George in 1913. They were unanimous in condemning the existing system and in regarding the one which I have just described as the ideal. They were, however, met by great difficulties in its immediate practical application, because, owing to the long prevalence of the wrong system, an immediate and total change would bring about rather startling alterations in the value of existing properties. The Committee closely considered these objections, and a number of alternative methods of bringing the change into operation gradually and without these drastic changes in value were put forward. The one which immediately suggested itself as the simplest, and from many points of view the most desirable, was to leave the rates and

taxes of existing properties on their present basis, to impose them at their present rate on the annual value of all unoccupied land, but to exempt from rates and taxes all future buildings and improvements of every kind.

To illustrate the way in which this would work, let us revert to the case of a block of slum property. As long as it remained in its present condition the existing valuation based upon the annual rent obtainable for it would apply, but any parts of it which now are or may hereafter become unoccupied, would, instead of escaping as they do now from all rates and taxes, contribute on the basis of the value of their sites, which would be assessed at an annual rent for the purpose of comparison with the existing valuations, at least until the capital values of the whole rating area could be ascertained. If any improvements were carried out the assessments would not be raised on that account, as they would be under present conditions, and if a whole area were pulled down, replanned and rebuilt, the assessment instead of being based, as it would be to-day, on the annual value of the reconstructed property, would be based upon the site value alone. Gradually in this way site value would become the prevalent basis of assessment. "It is obvious," as the Committee said in 1913, "that unrating of future improvements is from the economic point of view of far more importance than the unrating of existing improvements; if we want to encourage new buildings and new improvements, what is really important is to ensure that new improvements (not old ones)

shall be exempt from the burden of rates." The Committee were, however, compelled to reject this suggestion at that time on the ground that "it would cause an unfair differentiation between the man who had already put up buildings or improvements, and the man who put up buildings or improvements after the passing of the Act." But as between buildings and improvements which existed before the war and those which come into existence under post-war conditions no such unfairness could operate, because the increase in the cost of building even to-day is greater than the benefit which would accrue from the unrating of improvements. The present is therefore the unique opportunity for bringing into force this much-needed reform in the most effective way, free from the difficulties which had to be met in 1913. If it had been carried out immediately after the Armistice it would, in my opinion, have done more than anything else to solve the housing problem, and even now it is not too late. In fact, in view of the present unemployment it would be most opportune. Incidentally it would soon render unnecessary the renewal of the Rent Restriction Act. I understand that something on these lines has been introduced in New York to meet a similar problem.

A RATE AND A TAX UPON SITE VALUES

The Committee of 1913 were obliged to turn their attention to other suggestions. They proposed :

(a) That all future increases in the expenditure

of each Local Authority which had to be met out of rates should be met by a rate upon site values instead of upon the existing assessments ; and

(b) That existing expenditure should be met to a small extent compulsorily, and to a larger extent at the option of the Local Authority, in the same manner.

There is no reason why these proposals should not be brought into force simultaneously with that relating to new buildings and improvements. They made these proposals conditional upon a substantial increase in the grants in aid to Local Authorities, especially in necessitous areas, from the Imperial Exchequer ; and they suggested, although they did not definitely recommend, that a part at least of this increased grant might be raised by means of an additional tax upon site values. This, I think, should certainly be done, and such a tax might be wholly or partially substituted for the present Land Tax and Income-Tax Schedule A, which are assessed on the wrong basis.

These proposals would, of course, involve the revival and revision of the National Land Valuation established by the Finance Act, 1909-10, which should be made the basis of all taxation and rating relating to real property. This would be both a reform and an economy, because there are at present several overlapping systems of valuation by Central and Local Authorities, none of which are really satisfactory even on the present unsatisfactory basis of assessment. The existence of such a valuation frequently revised and kept up to date, and independent of local influences, would be

invaluable not only for purposes of rating and taxation, but also in arriving at a fair price for the acquisition of land for public purposes, and for the levying of special charges upon the increased value due to particular public improvements, such as railway extensions, with which I have already dealt.

I am not one of those who claim for these reforms that they would cure all the evils from which the community is at present suffering, but I do believe that there is no other and no better way of removing the unfairness and the restrictions of our present methods of rating and taxation or of setting free and stimulating the energies of our people in the development of the resources of our country.