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THE OVERBURDENED RATEPAYERS

THE RATES for the current year made by local authorities throughout the country have shown a general tendency to increase. In some cases the increases have been considerable. There have been widespread signs of dissatisfaction on the part of the ratepayers, many of whom feel the burden very severely. This is not surprising. Local taxation is levied upon the homes of the citizens, and even those who do not pay rates directly are realising that a large part of the "rent" they pay is really taxes. Owner occupiers and others who pay rates directly are still more alarmed.

Proposals have been put forward for a "rates holiday," but the hard fact remains that there can be no reduction of expenditure unless a majority of the community are content to see their local services curtailed or carried on with less efficiency. Complaints are sometimes heard of waste and unwise spending. Although such charges may occasionally be justified, those who are familiar with local government as it is actually administered will know that in recent times there has been a steadily rising level of skill and care in administration, coupled with keener supervision and audit by the central government. There is no prospect of substantial saving if the present services are to be maintained.

The excuse is also made that increases of local expenditure are due to the State imposing fresh duties and responsibilities upon the municipalities. This argument is usually joined with a plea, not for removal of the added duties, but for more grants from the Exchequer. National taxation is already providing a large fraction of local revenue through the block grant and other subventions. At the present level of national expenditure, to which the country appears committed for some years at least, it is not conceivable that any Chancellor of the Exchequer will be willing to make much more revenues available for grants in aid.

Those who look to this source for relief of rates should in any case be invited to demonstrate that in the long run the taxation will be any more justly apportioned than the rates are. Something approaching half of the national revenue is raised by taxes of an indirect nature. It is notorious that large revenues can only be secured by indirect taxation if that is levied upon articles of common consumption. Such taxes must inevitably fall more heavily upon the poor than upon the rich. Although our system of local rating may be unjust, it is arguable that national taxation is equally unjust.

The cry for additional grants evades the real issue,

namely—what is wrong with our method of rating, and what better one could be devised.

Bitter complaints have been made against revaluations for rating. The government has promoted legislation for the purpose of postponing the valuations for two years. This will extend the period beyond the date of the next general election, and will relieve the majority in Parliament of embarrassing questions. But it does not solve the problem. If the present system of rating is a good one it ought to be carried out in accordance with the law. Revaluations are objected to because they will involve some ratepayers bearing more of the rates. If, however, those ratepayers ought justly to pay more, the postponement of the valuations means that other ratepayers who should have been relieved are obliged to continue to pay more than they should.

The attempts which have been made to patch up or modify our methods of taxation have all been worse than useless. The complete de-rating of agricultural land and the partial de-rating of premises used for factories, workshops and railways has unquestionably thrown a heavier burden in many cases upon the occupiers of houses and shops. In the rural districts particularly there is a steadily growing opinion that this was a mistake and that it has made matters worse instead of better.

No one has been able to suggest any amendment which within the framework of the existing system could improve matters. Neither, as we have seen, is any solution to be expected from additional government grants.

Our method of rating is rapidly becoming discredited, and all that can be said in favour of it is that it does yield revenue with a moderate degree of administrative effort and without undue losses in collection. Occasionally the remark is still heard that it is based upon some approximation to "ability to pay." Whatever definition be given to that elusive phrase, it is clear that rates generally fall more heavily upon those who are badly off than on those who are well off. That in itself is sufficient condemnation.

There are other equally weighty grounds of criticism. Local taxation as now levied is a penalty imposed upon the erection and improvement of houses and other buildings. It discourages the provision of these essential commodities, shortens the supply of them, and raises the rent which has to be paid for them. Conversely, it relieves vacant land from all contribution, and requires far less contribution in respect of a site that is badly developed than in respect of a site of equal value which is well developed.

These evils cannot be cured by any tinkering with the present system for they arise out of its very essence—the failure to distinguish between the value of land and the value of improvements. Nor will they be mitigated by increased subventions from the national exchequer, for if rates are thereby reduced the tendency will be for owners of premises to ask and obtain higher rents.

Moreover the fact that vacant land (and agricultural land) is relieved of all rates facilitates the holding of land unused for higher prices. We need not impute moral obliquity to landowners for acting in this way. They are driven by a natural economic impulse. They know that the result of economic progress is to increase the demand for land, that public improvements and

social progress continually add to its value. If they wait therefore, they may expect a higher price. Meanwhile building and industrial development are held up, and the price or rent of land in use is raised because of this artificial scarcity.

If a solution is to be obtained we must clearly distinguish between land values and improvements. The value of every site should be ascertained disregarding the buildings and erections on it. A rate should be levied upon the land value and the amount raised by the present system correspondingly reduced. This plan is administratively simple, and has already been abundantly tested over many years in the British dominions and elsewhere.

It will restore to the community a value which is solely due to the community. In fact, it will proportion the contribution to public expenditure to the value derived from community influences. It will relieve buildings and other improvements from local taxation, discourage the withholding of land from use, reduce the price of land, encourage production, provide opportunities for the exertion of useful labour, and reduce rents.

In no other way can all these results be achieved. Our local administrators are increasingly recognizing the breakdown of the rating system. The time is overdue when constructive effort should be devoted to obtaining and perfecting a new system.

F. C. R. D.

OIL BOOM IN JUGO-SLAVIA

A dispatch from Belgrade published in the *Evening Standard* (14th May) says: "Jugo-Slavia is experiencing an oil rush at Struga, Serbia. It began when geologists produced extraordinary results with trial borings. Land speculation started. Agents for the purchase of holdings appeared. When it became known that some of the agents represented big British and American oil concerns the smallest land-owner visualised himself as a millionaire. Each was convinced his acre would contain the biggest oil well. Prices jumped from about 25s. an acre to £50 an acre within a few days. Now an acre is priced at £300."

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NOTES AND NEWS

At the instance of Mr R. R. Stokes, M.P., a meeting of Labour Party members was held in the House of Commons, on 16th June, with the object of extending the campaign for the taxation and rating of land values and promoting the policy through all the available Parliamentary channels. A Committee was formed consisting of: Dr H. Dalton, Col Josiah C. Wedgwood, Rev James Barr, Mrs Agnes Hardie, and Messrs Andrew MacLaren, George Lansbury, Wedgwood Benn, S. S. Silverman, W. T. Kelly, D. R. Grenfell (*Chairman*) and R. R. Stokes (*Secretary*).

At the conclusion of a two-page article on "The Doom of England's Stately Homes" in the *Sunday Express*, 29th May, the author, Mr C. A. Lyon, says:—"The ancestral history of some of the great landowners does not make elevating reading. Remember that much of their land was Church land distributed by Henry VIII among his greedy followers at the break up of the monasteries. Some more of it was Crown land given by the King to his favourites. Still more was common land enclosed under very shadowy legal authority. For generations the families of the great landowners plundered the country in the holding of lucrative State and Church offices. They were little different from American political grafters of more recent times."

Mr A. S. Comyns Carr has been adopted prospective Liberal candidate for Southport. In the course of his address to the local Association (*Southport Visitor*, 11th June) he said the land problem was at the bottom of the trouble in agriculture, mining, manufacturing industries, and housing. In agriculture the benefit of all the quotas and artificially high prices went to the landlord who, in good times, was able to raise his rents on the strength of them and hold the increase long after it should be reduced in bad times. The landlord, being the person who contributed nothing, as a landlord, to industry, if he was allowed any cut at all, ought to be thankful if he got the last one instead of the first. Referring to the rating of site values, he said there could be nothing more absurd than the present system, which punished those who developed sites. Rates ought to be levied on the value of the site and nothing else; if this were done it would be a great stimulus to building.

G.K.'s Weekly, 9th June, in a review of the Liberal Party's report on *Ownership for All* says "It is plain for all to see that the tricks of state help and humanitarian legislation have failed miserably. If we are to win an inheritance we must get back to real things and insist on a transfer of property and perhaps—it sounds heresy to mention it—we might look up our Henry George and William Cobbett."

Mr Milner Gray, addressing a Liberal rally in Hyde Park (*News Chronicle*, 9th May) said: "The greatest and most shameful monopoly of all is the land monopoly, and it is a remarkable fact that the Chancellor of the Exchequer, who increased the income-tax, the transport tax, and who hit the hardest hit of all, the poor people, by increasing the tax on tea, did not attempt to touch the land values created by public expenditure and general enterprise. In the mind of the present Government, this is the only property that is sacred from taxation."

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