

administration. The Labour development tax of 1947 was also later repealed as it was inappropriate. Rating of site values, tried with some success in Europe and the Commonwealth, is a measure suggested by the Rating Reform Campaign of the Land Value Taxation League.

False Notion

Conservative policy on land is *laissez-faire*, based on the false notion that the present market operates in free conditions. Restrictions arising from enclosure in fact inflate land values, distort the market, and give rise to ideas of limited resources, fixed capacity, and the need for priorities.

Releasing small amounts of land ensures that the maximum price obtains in a scarcity market, where supply is far less than demand. Releasing land does not restrain prices, which inevitably soar as active development increases, population grows, and space and living standards rise. If conditions were those of economic freedom, pri-

vate enterprise, leasehold "ownership," competition, etc would be beneficial activities. As civil liberties do exist, they are to some extent beneficial even today, *post* land enclosure!

The defects of Labour policy are those of interference, restriction, disruption, distortion, delay and compulsion, which the work of a Land Commission would seem to envisage. While part of the development value of land would go to the community, the price of land could scarcely be less where there are few willing sellers. It lets the baby out with the bathwater.

Subsidies are merely a means of returning to the taxpayer something of his earnings already paid in tax. Instead of paying (from the same person's rate contribution) for compulsory acquisition for public ownership and re-leasing, all that is necessary is to *declare* that all land belongs to the nation, and the privilege of its use should be fully paid for.

Whitstable and After

SOME THOUGHTS ON THE PROBLEM OF APPLYING THE SITE-VALUE RATE

By P. R. Hudson

THE ANSWER TO THE QUESTION "Will the land-value tax yield enough revenue?" depends, of course, on how much revenue is required and on the total annual value of all the land. Leaving aside for the moment the relevant and important question as to what is and what is not legitimate government expenditure, let us assume that the revenue required is in line with the present-day figures. Bearing in mind the discussion which will result from the Whitstable Pilot Survey, let us also assume that initially the land-value tax would be raised for local government purposes only. At the moment, local government revenues are raised from:

- (a) Municipal undertakings—swimming baths, car parks, etc.,
- (b) Rates,
- (c) Government grants, of which there are two main kinds:
 - (i) Specific grants—roads, housing,
 - (ii) The block grant.

Taking it that the specific grants would continue to be made from the national exchequer, and that the total revenue from site-value rating (up to 100 per cent if necessary) would be sufficient for the total local government expenditure throughout the country, it would appear that for the tax to be just, and truly effective, the rate or percentage levied should be uniform throughout the

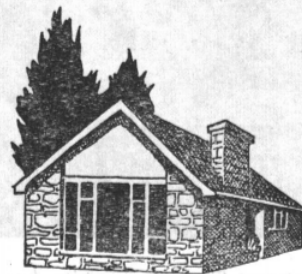
country. For this to be brought about there would have to be some national direction.

There would seem to be two ways of achieving this. First of all, the Government could levy the tax itself at a uniform percentage (perhaps using local authorities as its administrative agents) and then "share out" the revenue on a population-age-area formula similar to the present block grant system. Alternatively, it could decree that all local authorities must levy a uniform rate percentage, and then, having compared the amount actually raised against the allocation on the basis of the formula mentioned above, the local authorities would either

- (a) be obliged to deposit any surplus above their allocation with a Rate Fund administered by the Government, or
- (b) demand an equalisation grant from the Rate Fund to the extent that their revenue fell below that allocated.

Should this redistribution from the Rate Fund to the receiving authorities still leave a surplus, this could be distributed on a function-area priority basis, or be used to finance the specific grants, thus reducing the tax burden in other ways.

It might be proved that 100 per cent site-value rating would be enough to cover more than all the local government requirements, including specific grants. If this were



the case, any surplus in the Rate Fund could be used for other forms of tax relief. Alternatively, the Treasury could fix the rate percentage to be levied at the level required to raise just sufficient money for local government purposes. To my mind, this would be regrettable, but we should consider proposals in the light of existing and accepted patterns of thought, difficult though this may be. While a revolution in thought would produce the "just" solution, it is unlikely to be brought about overnight.

Let us examine the problem again from the assumption that even at 100 per cent, site-value rating would yield insufficient revenue for all local government expenditure. It has been suggested that it would be possible to tax land values more than 100 per cent. This, of course, would be completely contrary to the principle of site-value rating, for, having appropriated for the community all the land value, any additional revenue, though based on land values, would not be economic rent. It would be a direct tax on production. In Rent-theory such a rate of taxation would mean that production on the margin would become more rewarding than on land of higher productivity.

To illustrate this, let us suppose that at the margin of production the yield is ten units. On "20" land, Rent would be ten, and on "30" land it would be twenty. If the tax on Rent were levied at 150 per cent, the man on "20" land (Rent ten) would have to pay fifteen, i.e., 150 per cent of ten, so that he would be left with five, or half of what was obtainable at the margin, where no tax is payable. Similarly, the man on "30" land (Rent twenty) would have to pay thirty and would be much worse off than the man at the margin. The marginal land, which would not be taxed, would now have more value than both the "20" and "30" land!

Of course, if it is thought desirable to encourage development on marginal land, such a tax would achieve this. However, it would result in a ridiculous race for marginal land which would, of course, soon increase rapidly in value, thus qualifying for a tax, and then the race would start again! Clearly this would be "through the looking glass," and such an absurdity could never for a moment be considered.

If site-value rating at 100 per cent were insufficient for current expenditure the additional revenue would have to be found from some other source. Which source would be most desirable is very much a matter of personal choice and an extremely difficult one at that. In itself, however, this is no argument for *not* raising as much as possible by site-value rating. Perhaps the most forceful argument for this is that the effect of site-value rating at 100 per cent would be considerable. Idle and poorly developed sites would soon be brought into use and the housing problem would be attacked more energetically by private enterprise; this would greatly reduce the cost of municipal housing, at present carried by the rates, and relieve other welfare services which are in part made necessary by the housing shortage. This applies particularly to the children's service and the provisions for old people. Naturally, there would be a time-lag before the benefits became fully effective, but this again is no reason for not applying the tax.

Method In Their Madness

By PETER TRACEY

TO KEEP WELL NOURISHED a man does not have to consciously control his digestion. All he needs to do is to eat the right food and let nature do the rest.

So it is with trade. Produce the goods the customers want but cannot produce so cheaply or effectively themselves, and trade will flow naturally and freely.

Our Government, however, has to have a "Board" of trade in order to consciously control the most natural thing in the world. When it succeeds in reaching trade agreements with other countries (a new five-year "trade arrangement" has just been agreed with Roumania) it regards it as "facilitating an increased flow of trade between the two countries."

Slippery Estimates

Whether it is because the British people cannot tell Stork Margarine from butter or not, the Board of Trade miscalculated the butter requirements of the British consumer. "Shipments have fallen short of the quantities required . . ." A further 5,000 tons of butter may now come in, but only up to November 15.

Only "established" importers may apply for a licence — no muscling in by free-lance free-traders is to be allowed — and the importers must give evidence of a "firm offer."

Statisticians On The Carpet

Having "provisionally estimated" the daily rate of manufacturers' sales by value of carpets, rugs, mats and matting, a Board of Trade press notice advises that its figures should be "interpreted with caution."

Apart from the fact that I don't give two hoots about carpet and matting sales, I can assure the Board that I treat all their figures with caution.

The Protective Umbrella

A chance to see the Board of Trade at work is offered free of charge. A public enquiry is to be held at the Board of Trade offices on November 12. The item on the agenda is a vitally important one. The meeting will consider an application in respect of the marking of imported umbrellas, umbrella handles and other umbrella parts.

Very Smooth Running

In the interests of smoother trade, the Board of Trade has issued a direction that exempts any imported ball bearing with a single split through the outer race at right angles to the path of the balls from having itself to bear an indication of origin, but requires that the indication be printed or stamped on the wrapper or container in which

(Continued on inside back cover)