



Adding Insult to Injury

RICARDO merely stated the obvious when he asserted that land which gave a variable return because of variable fertility or other natural endowments — produced a variable rent (or selling price). Land below the margin of productivity, i.e. where returns were insufficient to reward labour and capital at prevailing rates, would of course have no rent or selling price.

That some land is more valuable than other land is a fact of life and if exclusive rights to the rent of land are accepted it must be taken that those with poor land are just unlucky that's all.

Were the value of land to be regarded as a community asset, the differentials of land value would advantage and disadvantage none since each land holder would be required to contribute to the exchequer in accordance with the value of the land he held. The *ad valorem* land levy, charge, rent or tax (however it were described) would be a leveller — equalizing through the differential tax the opportunities and advantages of land holding to the benefit of the whole community.

Where, however, no such land tax exists, it can hardly be claimed that because some land is close to or below the margin, the rest of the community — largely the landless — should compensate the holders for their lack of good fortune in not being the owners of superior land!

Yet that is exactly what is proposed by the farm Ministers of the EEC. Help for "hill farmers and others in areas where there are permanent natural

handicaps" is demanded.

This is represented in a report from an agricultural correspondent in *The Daily Telegraph* recently as "a rare chance for Britain to recoup something from the Common Farm Fund to which she will be the biggest contributor." "Britain," the correspondent says, "stands to gain between £7 and £18 million."

But who is meant by "Britain"? The payments to the Common Farm Fund are made by the British taxpayer. The recipients of the subsidy will be marginal and sub-marginal farmers in Britain (as well as in other European countries).

In short, not only do Britain's landless have to forego their share in the rent of their natural inheritance — the economists' "free gift" — but are asked to supplement the incomes of those land-holders whose rewards are not as high as those of their contemporaries.

The oldest confidence trick in the world is to identify the interests of a few with those of the whole community and then to seek aid or subsidies for the few, making the rest of the community pay for it.

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IMPENDING legislation designed to curb excessive profits from the sale of building land and to relieve local authorities of some of the burden of providing services such as drainage, roads and schools may have the effect of boosting the price of houses by as much as £1,000, reports *The Observer*, October 14.

The Government wants builders to pay a flat-rate charge per house for services installed by local authorities. It has proposed a figure of £1,000 in the South East, and £750 in the rest of the country. A clause may be included empowering local authorities to reduce the charges if they wish.

The aim is to help local authorities to meet costs of providing essential amenities and "cut landowners profits by encouraging builders to bargain harder over the price of land."

The construction industry is not happy about the plan. Mr. Michael Latham, Director of the House-builders' Federation, quoted by *The Observer*, said that in a buoyant market the levy might simply be passed on to home-buyers, while in a depressed one the result could be a reduction in house building.

In fact, a buoyant or depressed market has nothing to do with whether the charge will be borne by the builder, the landowner or the consumer. Nor is this question settled by the Government or the consumer — it is settled by the operation of economic law. Allowing for time lags, haggling and minor incidents, the charge must finally rest on the landowner, because the charge can in no way alter the supply and demand for land, nor the profit margins

of the building industry which can be maintained in equilibrium only by passing the charge back to the land holder. As with a direct tax on land values the



land-owner cannot pass this tax forward to consumers, he must pay it himself.

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THIS process can also be seen working in reverse. Under the Rural Water Supplies and Sewerage Acts, the Government now pays 35 per cent of the cost of a scheme up to £585 per property for water supply and up to £810 per property for sewerage.

Gift to the home buyer? Not a bit of it. Gift to the builder then? Not at all. The grant or gift goes to the landowner and no one else. Ask any estate agent what the effect on property prices (the land-value element) of any form of amenity or advantage introduced into an area that was not there previously like sewerage, water, electricity, transport etc. Local residents of course welcome most of those amenities — when they are long leaseholders, freeholders, or are the owners of vacant land ripe for development. It all finally shows up in the enhanced price asked for property. Newcomers must pay a price which includes the amenities.

*Resolution adopted at the Liberal Assembly,
Southport 18 - 22 September 1973.*

- 1) Site-Value Rating should be introduced on a national scale and applied to all land in the UK; this would permit a commensurate reduction in other forms of taxation.
- 2) Estate Duty relief should be restricted to bona fide agriculturalists.
- 3) Capital Gains Tax should be paid on the sale of development land at a higher rate.
- 4) Roll-over relief should be restricted to the purchase of land of equivalent agricultural value to that sold.
- 5) Agricultural losses should not be allowable against profits from other businesses.

A further proposal was:

"A Liberal Commission should be set up to study and make further recommendations on the ownership, control, tenure, utilisation and taxation of land, its investigations to include the effect of the annual loss of 50,000 acres of agricultural land."