

U.S.A. and Canada

\$1 a year

Established

June, 1894

VOL. LXVIII, No. 807

Land & Liberty

U.K. and Sterling Area

8s. a year

Editor

P. R. STUBBINGS

AUGUST, 1961

EDITORIAL

Signal Red For Danger

EXPROPRIATION without compensation may shortly become a plank in the Labour Party's programme. A proposal on those lines appears in the policy statement, *Signposts for the Sixties*, which the national executive committee is to submit for adoption by the party conference at Blackpool in October. It relates to vacant urban building land and is part and parcel of the scheme to nationalise land on which building or rebuilding was authorised.

A Land Commission would buy at a price based on its value for existing use. From this it follows logically (although this is not stated) that a nil "price" would be paid for vacant sites, however valuable. This would be flagrantly unjust.

As we never tire of pointing out, the speculative withholding of land from use is dangerously anti-social and should be ended forthwith as should all trading in the people's birthright, the land, and the private appropriation of its community-created value, the proper and only source of public revenue. The only way to end these wrongs is by imposing a straightforward tax on the value of all land. But until that policy is fully applied so that the exchange value of land is extinguished, public authorities must in equity pay full market price for any land they require whether it is held by a small occupying freeholder or by a large absentee speculator.

The proposals for nationalising building land are reprinted on another page. They are found to be as earlier predicted and noted here two months ago. It will be observed that the authors blandly disdain any estimate of the possible cost of their scheme and do not indicate how it would be financed. Nor do they explain how, with the market destroyed, the Land Commission would be able to determine the existing use price of land to be paid on compulsory acquisition. Also unexplained is why it is thought necessary for the Commission to act as purchasing agent for local authorities and whether it would sell to them at cost or at a profit or a loss.

The scheme would assuredly retard development; freeholders of obsolescent buildings ripe for redevelopment would hold back, waiting for a new government to come to office and unscramble the whole foolish regime as the Conservatives had to do with the development charge provisions in the 1947 Act.

The assertion that the public revenue would steadily increase under this scheme is mere wishful thinking and quite untrue. The Commission would be able to recoup only future increases in land values. For decades and generations to come incomes from that source would be required to pay for the land compulsorily acquired.

The scheme stands condemned because, *inter alia*, it would add enormously to the national debt and present taxation, would leave private individuals in enjoyment of the greater part of the rent of land, though in a different form, and would enormously increase the power of the state over the individual. It would put an end to land speculation, it is true, but only in a vindictive, discriminatory way likely to generate the very gravest political stresses.

A Bolt From The Blue

NO longer will the Conservatives be able to pretend that land use planning is an insuperable obstacle to introducing the land value policy or that it destroys the case for incentive taxation. Mr. Geoffrey Howe has killed that excuse stone dead. As editor of the Conservative Bow Group's journal, *Crossbow*, his views command respect in Tory circles. His article in the summer number, *Can Conservatives Plan?* is open to criticism on various grounds but the following passage, despite certain obvious blemishes, is most welcome:—

"There remains what has been described as the 'Achilles heel' of planning — the problem of compensation and betterment. Parliament recognised this problem in its simplest form almost three hundred years

ago: when streets were widened in Charles the Second's London it was realised that some houses would consequently 'receive much advantage in the value of their rents by the liberty of ayre, and free recourse for trade and other conveniences'; a jury was therefore required to assess the sums of money that had to be paid to the state by the lucky householders 'in consideration of such improvement or melioration'.

"The problem remains the same today: when planning permission is given to site A and refused to adjacent site B, some of the value of site B is either extinguished altogether or, more probably, shifted to site A as a result of the community's decision. And if later site A has to be compulsorily acquired (say to build a road) the community has to pay compensation for a value which it has itself helped to create. So long as proper compensation is paid, the community is bound to lose both ways. The case for transferring some part of this 'betterment' to the community is logically irresistible. Yet because the solution contained in the 1947 Act was unacceptable, we now have no provision for taxing betterment at all. The solution which we adopt will probably have to be less theoretically perfect than that contained in the 1947 Act: we could either impose a straight tax upon the capital profit made on any disposition of land; or we could impose an annual tax or rate upon the capital or site value of land. A tax on these lines works well in Australia, New Zealand, South Africa, Denmark, Western Canada and Pittsburgh. Conditions in Britain are, of course, different. But in some such way as this we could raise funds with which to pay compensation for the refusal of planning permission or the purchase of land for public use; and because the tax is levied upon undeveloped site value and not upon improvements, we should positively encourage development of vacant land. As the American magazine *House & Home* puts it: 'In a free enterprise economy like ours the only way to stop underuse is to put the profit motive to work and make it more profitable to improve a property than to let it decay'."

This leads Mr. Howe to include the following in his six-point Conservative policy for planning:

Continue to regulate prices by the operation of the free market, but appoint an expert committee to advise on the best way of taxing betterment — either by the rating of site values or by a simple turnover tax on dispositions of land.

One cannot see how such a turnover tax would facilitate development or cheapen land. The reverse is more likely Title holders would either hold on to ripe land in the hope that amending legislation repealing the tax would be brought in or would hold out for even higher prices than they will now accept. Speculative withholding of land would not be discouraged and might well be further encouraged. By its nature the tax would be discriminatory and therefore inequitable since it would fall only on land which changed hands only when the transfer was effected. Much extremely valuable land would escape, and the yield would be small and subject to considerable fluctuation.

Any attempt to deal with "betterment" on an *ad hoc* basis is foredoomed to fail. It is quite impossible to determine what part of the value of a piece of land is attributable to a particular factor and this would be so even if there was a land valuation. One could more easily locate a needle in a haystack than say with certainty and precision how many pounds, shillings and pence of value the provision of a new road has added to Mr. Jones' house plot.

The object Mr. Howe has in mind would be automatically achieved under the national taxation (or local rating) of land values. After each revaluation all landholders whose land had increased in value for any reason, including provision of new public improvements in the vicinity and planning changes, would be required to contribute more while those whose land had fallen in value would receive "compensation" in the form of a smaller tax bill. In cases where compulsory purchase was unavoidable reference to the land valuation would ensure that the sum paid was equitable so far as both the individual and the community was concerned.

Comedy Of Errors

A BRIEF anthology of factual errors, irrelevancies and misunderstandings published by the Conservative Political Centre has recently come to our notice. *The Rating of Site Values* was issued shortly before the last municipal elections with the obvious intention of countering the growing demand for rating reform. Its appearance is a tribute to the effectiveness of our propaganda. The only argument advanced is summarised by Mr. Brooke's Written Answer to a Parliamentary question (July 5, 1960) with which the pamphlet ends: "Rating of site values is a question which has been examined by a succession of committees and commissions since the beginning of the century and reported against by each one of them. I see no reason to reject their advice."

A detailed line by line refutation would unduly tax the reader's patience and our space. Nevertheless a few errors may be corrected. Site value rating (or, as we prefer, land-value rating) is not the Single Tax, nor was it the subject of *Progress and Poverty* which, incidentally, was first published in 1879, not 1894. Lord Douglas of Barloch, is not "a staunch socialist" though he is a Labour peer, the Rating Reform Campaign was launched on January 1, 1960 by the Land-Value Taxation League, not in 1959 by the United Committee, and it has five Labour M.P.s as sponsors as well as the two Liberal M.P.s mentioned. Triumphant exposing what he believes was Henry George's demonstrable fallacy, the writer reveals his own ignorance. George argued, rightly, that with material progress, rent increases as a proportion of wealth produced. He certainly did not suggest that wages and living standards remain at a given level for all time no matter how much production increases.

As we guessed before raising the cover, the pamphlet contains a section on Lloyd George's Land Taxes. It is completely irrelevant. We read, too, that the L.C.C.'s London Rating (Site Value) Bill, 1939, was "heavily defeated". What other fate could there be for a Bill