

“Taxation of Site Values—Spur to Productivity”

A NOTABLE CORRESPONDENCE IN THE FINANCIAL TIMES

During October and November the *Financial Times* published ten letters on “Site Value Taxation,” the central theme of the correspondence being the incentive to productivity which that policy affords. There was only one dissentient view expressed and that by Mr. H. Symon, the director and consultant to the Association of Land & Property Owners (which incorporates the Land Union). His doubts were effectually answered by Mr. Victor Saldji. The advocates of land-value rating handled their subject with competent restraint, and their letters, many of which were of considerable length, were excellently displayed.

Mr. T. S. Bradley, of Carshalton, initiated the correspondence on October 7 with the letter reprinted below. Subsequent contributors were: Messrs. Victor G. Saldji (October 11 and 31), W. E. Bland and N. K. Gardner (October 13), H. Symon and A. N. Batty (October 18), James D. Slater (October 24), John C. Hancock (November 17), and P. R. Stubbings (November 24). Altogether it was an impressive demonstration which is likely to have exercised a profound influence on the thinking of many in industrial and commercial quarters.

MR. BRADLEY'S LETTER

“The apparent simplicity of the rating system, as now applied, is a pure façade, behind which stupidity and folly penalise property improvements and site developments with increased assessments, from which spring increased Schedule “A,” water rates and a whole host of other charges based on assessment values.

“The De-Rating Act of 1929, virtually trying to subsidise industry at the ratepayers' expense, has sponsored a chain of Government subsidies to local authorities to make good the lost revenue from reduced industrial ratings. The net result is the Gilbertian situation, in which the taxpayer is charged up with the double costs of applying, what is virtually a single subsidy to industry—a subsidy which to-day appears as additional profit in the balance sheet, mostly to be swallowed up again in taxation. We are now utterly lost in a jungle of formulae, and there is an urgent need for a determined search party to rescue the countless thousands now uselessly employed coping with a tangle of unnecessary paper work, so that their energies can be usefully applied to real productive work.

“It is a sad state of affairs that, with the future of the country almost entirely dependent on a continuously growing productivity, the incidence of local and national taxation shall fall heaviest on the efficient and the go-ahead in a progressively increasing ratio to success, while leaving the easy-going and inefficient practically untouched.

“An entirely radical approach to the whole field of taxation is necessary, if a higher standard of living is to become a practical reality in our lifetime. Taxation must be used intelligently to counter inefficiency and to encourage those that are prepared to go all out in the development of our resources. The introduction of Site Value Taxation, whereby both national and local revenue would be raised by fixing taxation on the most economic use of sites, would not only provide the necessary incentive to maximum productivity, but would also quickly bring about vast improvements in the appearances of our cities and towns. There would be no profit in holding dilapidated property, or running make-shift equipment, as the incidence of taxation would be the same, irrespective of site development.”

From Mr. William E. Bland: “Not least of the benefits to accrue from Mr. T. S. Bradley's very sound suggestion to tax site values would be the end of the everlasting exhortations, from which we suffer, to produce more and more in order to make ends meet. In so far as those engaged in production are concerned, all such efforts are nullified by the ever-increasing price of land, the basic raw material of all production. Land-value taxation would bring the price of land down to its economic level, and then everybody, labour and capital alike, would receive the full benefit of their efforts.”

From Mr. N. K. Gardner: “Your correspondent, T. S. Bradley, misses one of the most telling points in favour of site-value taxation. It is well known that the speculative values of many sites are much in excess of their true values. As Mr. Bradley infers, site-value taxation would bring many vacant or under-developed sites on to the market. Clearly under these conditions land speculation would virtually cease.

“Since rent is paid at each stage of the production of a commodity, the general reduction of prices which would result would be significant. More important, there is good reason to believe that the constant tendency in ‘good times’ for site rents to increase more rapidly than productivity is a vital factor in initiating industrial depressions. Any measure which would eliminate this factor is surely worth careful consideration.”

MR. SYMON ENTERS A CAVEAT

“The correspondence in your columns indicates once more the extent to which the advocates of site-value taxation are prepared to push their arguments. What real relationship is there between the need for increased productivity by all concerned in industry and the proposed shift of taxation? In how many industries to-day is the purchase of land a significant factor? What evidence is there that many vacant or undeveloped sites are being held off the market by speculators?

“As Mr. Trustram Eve stated in his recent paper on *Valuation for Rating* to the Conservative Local Government Conference, ‘it is impossible to discuss the merits of the scheme for the rating of site values with those who are strongly in favour of it, for they, one and all, regard it as some kind of religion passed down to them from the days of Henry George, who invented it.’ It has, in fact, ceased to be a practicable scheme except in the narrow field of transferring the burden of rates from the periphery to the centre of towns. We can excuse those who are burdened with taxation for trying to find other people on whom to unload the burden. But surely it is time that the land owner ceased to be the regular target for attacks.”

MR. SALDJI REPLIES

“Any business man could tell Mr. Symon that to reduce taxation on industry and collect instead the economic rent of land would be a double pronged spur to greater production. It would encourage existing concerns to greater effort by saying, in effect, we will not penalise you if you produce more, and it would encourage new concerns to start by reducing the first charge that every enterprise must meet—the price of land.

“Mr. Symon quotes Mr. Trustram in a captious vein, but he should study again the Erskine Simes Report of 1952, to which Mr. Trustram Eve is a signatory. It is true that this

Committee confused 'site value' with 'existing use value' and declared against the rating of site values, taking into account the Town and Country Planning Act, 1947. Happily the 'anti-development' development charge has been repealed and reconsideration of the case for the rating of site values may reasonably be asked for. The attention of Mr. Symon is particularly directed to paragraph 168 of the majority report:—

'As we have seen, the most compelling case for site-value taxation has always been economic. It is argued that as contrasted with a real estate tax which included buildings in the assessment, it is logical to conclude that development would be actively stimulated. Land prices would tend to be lower for two reasons: first the extra burden of taxation would reduce the capital value of land, but not of buildings. Secondly, liability to pay the site-value rate would tend to bring into the market land which would otherwise not have been offered for development, thus increasing the supply of available land and tending to lower its price.'

"References to Henry George are not argument. Sir George Grey, who introduced the rating of site values into New Zealand legislation, had not even heard of Henry George when he realised how economically and ethically sound it was to untax the results of man's enterprise and instead treat the land value as the prime source of revenue."

THREE FURTHER CORRESPONDENTS

The relationship between taxation and productivity was demonstrated by Mr. Slater, who drew attention also to the existence of empty sites in the centres of cities and towns and the corollary of ribbon development on their outskirts. He concluded: "The solution is not so much a shifting of the burden of taxation from one section of the community to another, but rather the directing of publicly created values to the community who created them. Surely the landowners as such have enjoyed this legalised misappropriation too long."

Quoting instances to show how land values are rising—one of which was culled from the *Financial Times* real estate correspondent—Mr. Hancock concluded: "Since land—as a proportion, that is, not in absolute quantity—tends to get ever scarcer and scarcer with each succeeding rise in the population, the price must keep on increasing in obedience to the elementary law of supply and demand."

The benefits received by Dunedin from adopting the rating of land values as reported in the *Auckland Weekly News* was mentioned by Mr. Stubbings who quoted the paragraphs from that journal reprinted elsewhere in our pages.

A Reviewer Reproved

BAILIE A. B. MACKAY, of Glasgow, in the *New Statesman and Nation*, September 12, answered extraordinary charges by Norman MacKenzie in that journal. Reviewing *Henry George*, the recently published biography by Professor Barker, he had written that George "drew back even from land nationalisation for fear of losing support." Equally misleading was his assertion that George's ideas "flickered briefly in the development charge imposed by the Labour Government's Town and Country Planning Act of 1947, and with the extinction of that charge went out and into history."

"Of course, George was 'obsessed' by the land problem: that is the basis of his philosophy. Because revolutions, here and elsewhere, had not the fundamental basis of securing the land for the people born into it, either by legislative fiat or by appropriation of rent, their upheavals were unavailable.

Failure, too, has dogged the efforts of political and social reformers, because they did not make sure that the enhanced value of land would be taken for the upkeep of the services creating that value. They allowed the increase to be taken in rent by private landlords.

"The critic is wrong when he says that California made its special imprint on his (George's) mind. He emphasised that the principle applies even more strongly: 'where land is entirely appropriated as in England, or where it is either appropriated or is capable of appropriation as rapidly as it is needed for use as in United States, the ultimate effect of labour-saving machinery or improvements is to increase rent without increasing wages or interest.'"

The endless struggle to raise wages to keep up with prices (even with the intervention of Trade Unions) shows how right George was in that basic statement. Famine prices for land in our cities and inflated prices on the perimeter help to nullify our efforts to get rid of the heritage of slums. We have to pile on rates and taxes which discourage full use of land. Surely that is muddledom! Our electricity authorities are carrying light and power to every village and farm, which sends up rent and price of land. Should not that value go to meet public expenditure and reduce taxes?

The critic is at fault in attributing the development charge in the 1947 Act to such as George: that was penalising use of land in the worst possible way: few could raise the capital charge in advance.

The world will have to come back to the principles of Henry George (and many before him and since): "Take the value of land, created by the community and individuals, for the upkeep of national and local services, and reduce the burdens on improving land—the true way to encourage production and enterprise."

The *Estates Gazette*, October 22, published in its correspondence columns an admirable precis by "AVON" of "The Teachings of Henry George." The letter was prompted by the misleading and patronising remarks uttered by Mr. Trustram Eve when he addressed the Conservative Party conference at Bournemouth. It concluded: "In the suburb where I live there is an acute housing shortage and young people are leaving the district to build homes elsewhere, but, contrary to what Mr. Trustram Eve says, there are many residential building sites here which the freeholders will neither sell me nor lease to me for this purpose. They include sites of property destroyed during the war. Taxation of those sites would discourage keeping land out of production for something like five years, as in this case.

"Dismissing Henry George as 'a good-hearted man desirous of helping the down-trodden poor of his generation' just won't do. His proposals were directed towards the benefit of every producer of wealth, whether employer or employee. They are just as applicable to-day as they were in Henry George's day, and are a charter of liberty for industry in general."

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