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LABOUR PARTY AND THE UTHWATT REPORT

Is Land Nationalization the Solution?

AT A meeting on 23rd September the National Executive Committee of the Labour Party decided to urge the early introduction of a Bill to give effect to the recommendations of the Uthwatt Committee as an indispensable preliminary to the carrying forward of town and country planning. Though reaffirming the traditional party policy in favour of nationalization, it decided—

“To accept as a matter of immediate urgency the recommendations of the report which empower local authorities to acquire the whole of reconstruction areas in anticipation of their requirements and at prices not exceeding those of March, 1939.

“To urge the Ministry of Town and Country Planning to press forward, as a matter of urgency, the establishment of appropriate joint planning authorities throughout the country.

“To approve the principle of a global sum of compensation in respect of development rights as the only satisfactory means of dealing with the problem of floating value.

“To approve the principle that any undeveloped land required for development should be first purchased by the State. Where land is required for private development it will be leased to an approved developer for a suitable period and should not be sold.

“To accept the principle that betterment conferred upon private property by communal action shall be collected from the owners by the appropriate authorities.”

There need be no disagreement that the existing planning powers of local authorities are inadequate, especially in those cases where large scale re-planning has become necessary owing to air-raid damage; nor need we discuss whether the proposals in this behalf made by the Uthwatt Committee are entirely satisfactory or require modification. This is mainly a matter of machinery and procedure.

Questions not Solved

The major questions arise out of the economic issues involved in all matters of land utilization. These are not solved by land nationalization. The mood of the Labour Party in recent times appears to be that all economic problems are to be solved by passing a Bill for nationalizing this, that, or the other thing, and that thereupon, as in the fairy stories, we can all live happily ever after.

So far as land nationalization is concerned, the very basis for carrying out that proposal does not exist, for it requires a valuation to be made in order to assess the compensation which must be paid. The nation should surely

know the price to be paid before it is committed to paying it.

But in the first place, and as a preliminary to the consideration of land nationalization or any other proposal for dealing with the land question, we should know what is the land question, what is defective in the present state of affairs, what is the grievance to be remedied. Unless we are clear about this, we cannot formulate an adequate remedy.

What is Wrong

The grievances which arise from our land system are these:—

(1) That rent, that is to say economic rent or annual land value, arises from the general activities of the community, not from anything that individual owners of land do, but that it is appropriated by individuals instead of going to the community, which is its author.

(2) That in many cases valuable land is unused or badly used, and so is not contributing to the production of wealth to the maximum of its capacity. Thus labour is deprived of the indispensable basis of its activity and the production of wealth is curtailed.

(3) That the rent or price of land is raised by the withholding of land from use, and thus a greater share of the wealth produced goes to the owners of land and a less share to the active producers of wealth.

Nationalization a Remedy?

None of these grievances are remedied by land nationalization. On the contrary, they are in a large measure perpetuated. The community goes on paying to the owners of land in the form of interest on debt created to buy out the owners what it was formerly paying in rent; or, to put it in another way, the rent must be collected by the State in order to pay it over to the bond holders.

Moreover, the infinite troubles and complexities of land nationalization are not realized. Land nationalization is not simply a scheme for buying the land, it is a proposal for buying all the buildings and other improvements which are attached to land. It involves, therefore, the nationalization at one blow of all the wealth of the country except furniture, stocks of commodities and other moveable things. If anyone imagines that the State possesses the organization and means to deal with such a transaction he is living in a fool's paradise. Those who sincerely believe in the ideal of ultimate

nationalization could not propose anything which was more calculated to bring the practice of it to immediate disrepute and disaster.

The State as Landlord

Nationalization implies further the buying out of every existing interest in immovable property and the apportionment of compensation to all the lessees, sub-lessees, tenants and mortgagees of such property. If all this were accomplished, what could the State do with all the occupiers of such property except to leave them in occupation? It would, therefore, be obliged to negotiate terms of tenancy with innumerable owner-occupiers of houses, shops, factories, warehouses and other properties. While in the case of those who were in occupation as tenants it would be obliged to consider the terms upon which they held and whether the rents were in some cases above and in other cases below a fair market value. The political consequences of this are also of great moment—the pressure which would be put upon members of Parliament by constituents who wanted their rents revised and the disappearance, in the absence of a free market, of objective standards by which this could be done.

When Land is Withheld

It may, of course, be said that land nationalization would provide a means of dealing with the problem of land held out of use, as the State could let such land to those who wished to use it. But land nationalization certainly provides no ready means of dealing with the other branch of this problem, which is of equal moment although less obvious to the casual observer, the land which is used but is used badly. Land nationalization provides no criterion for judging such cases, nor any ready means of dealing with them.

In addition, so far as under nationalization some means is found of bringing unused land into use, and so abating the artificial scarcity which now exists, it would imply a lowering of land values or economic rent generally. In that event a gap arises between the interest on the purchase price and the rent receivable by the state; and how is that gap to be filled? by more taxation?

The Alternative

Contrast with all these difficulties and complexities the simplicity and the effectiveness of the taxation and rating of land values. It requires as its basis simply a valuation of the site disregard-

ing the buildings and improvements. Half a century or more of experience in places where this has been done has shown that it can be effected with reasonable speed, economy and certainty. It can be done by proved scientific methods. The result can be made open to public inspection, criticism and approval. Anyone can see by inspection of a map and a register accessible to any person interested what the value of each plot is. No question arises of valuing the buildings and improvements in which extremely difficult questions of adequacy of development, obsolescence, adaptability to the site and other problems arise, and in which adequate comparative tests are not available.

Neither does any question arise of valuing the individual interests in a property which arise by reason of leases or mortgages.

The tax is collected from the person who is receiving the rack rent of the property or is in a position to receive it. If he pays a rent to a superior interest he deducts from the rent the share of the tax which the rent receiver should bear.

Effects of Taxing Land Values

Now let us look at the consequences which flow from this simple proposal. To the extent that rates and taxes which now fall upon the use of land are shifted to the value of land, so does the community recover for public purposes the value which it has given to the land. As rates and taxes fall upon the value of unused or badly developed land, so is an equitable and properly adjusted pressure put upon the owners of such land to ensure that it is used or redeveloped. At the same time the development will be encouraged by the relief from rates and taxes now falling upon the use of land.

As this policy takes effect, the value of land will be influenced by the release of land now held out of use and the better development of land now poorly used. This virtual increase in the supply of land will operate to reduce land values or to prevent them from rising. This will be taken into account at each successive valuation, and the land value revised accordingly.

Reconstruction and Planning

Without elaborating the consequences of this policy, let us turn to its bearing upon the problems of reconstruction and planning raised in the Uthwatt report. The State or the local authority will be in possession of an adequate valuation of land established upon a scientific basis, and unlikely to be excessively high because of its use as a measure of liability to rates or taxes. In those cases where it is necessary to acquire land for public purposes, such as street widening, open spaces, housing or other reconstruction, the price can be assessed fairly by reference to the valuation. This is a vast improvement upon the attempt to assess compensation *ad hoc* in each case without reference to pre-established and uniform standards of valuation.

The Uthwatt Proposal

Incidentally it will be far better than the Uthwatt proposal that land for public purposes should be acquired at values not exceeding those in March, 1939. Since there was no valuation in existence at that date no one knows what the value then was. As that date recedes further and further into the past, the uncertainty will become all the greater. The proposal subconsciously assumes that land generally has increased in value since 1939, but that has not been demonstrated. In any event, it would operate with gross unfairness. The owner whose land was expropriated for public purposes would get one price, while an adjoining owner got another. The private purchaser would pay one price, while the public authority would pay another for land of identical value. It is impossible to see any justification for this, while in practice it would probably prove unworkable.

The "Development Rights"

To return to the advantages of land value rating and taxation in dealing with these problems of reconstruction.

No necessity will arise for a large and sterile expenditure upon the acquisition of so-called development rights, or floating values, which are merely polite names for speculative values. The operation of the land value rate or tax will eliminate such values by convincing owners of land that speculation will not be profitable. This effect will arise not only in the areas outside towns, to which alone the Uthwatt proposal relates, but universally. The Uthwatt proposals, on the contrary, will tend to establish and perpetuate speculative values inside towns where the land values are highest and where a very large amount of reconstruction must inevitably take place.

Increment Values

The Uthwatt proposal for a levy on increases in annual land values in towns will be unnecessary. It will be superseded by a levy upon all land values, whether they rise or fall, and whether of land in towns or elsewhere. An abundant and immediate source of public revenue will be provided instead of an exiguous and deferred one.

Substantial and immediate relief will be provided from the rates and taxes which now fall upon the occupiers of houses and other buildings. More and better accommodation will become available to the occupier at the same cost, or the same accommodation at less cost.

A Practical Policy

All this provides a practicable policy which can begin to apply quickly, which can be developed as rapidly as is found expedient, which imposes no undue strain upon the organization of the State or of the local authorities, and which requires no disturbance of multitudes of people who are occupying dwellings or business premises which are reasonably adapted to their pur-

pose, while it will relieve those of them upon whom the present system of rating or taxation imposes an undue burden, and will require a just contribution from those who benefit by the public services and the other activities of their fellow-men which render land valuable.

Labour Resolutions

It may be well to recall that at the annual conference of the Labour Party held in Liverpool in 1925 the National Executive presented a series of resolutions on land policy which were carried either unanimously or by very large majorities. These resolutions summarised the results of a long and careful enquiry into the subject by the Labour Party's Land Advisory Committee. These resolutions declared that the right solution of the land problem remained the very foundation of Labour's work. It may be freely admitted that they looked to ultimate public ownership, but the immediate proposals applying to all land were the imposition of a national land value tax at a uniform rate on the value of all land, and that local authorities should be given the power to levy a local flat rate, the amount of which they should be free to determine, on all land values within their area. The resolution further stated that—

"The land value taxation should be regarded primarily as a means of collecting the economic rent for the community; deflating land values, and so cheapening land; promoting the most profitable use of land; and facilitating the acquisition of land by public authorities."

Now these are precisely the problems which still require to be solved, and even more urgently because of the ill-effects of the war. They can only be solved by the measures which the Labour Party then saw were necessary. To adopt the proposals of the Uthwatt Committee in respect of development rights and periodic levy will simply impede the achievement of a just and adequate solution.

In an obituary notice of Lord Kenmare, formerly Lord Castlerosse, who died on 20th September, the *Manchester Guardian* said he came of an old Irish noble family. His father, whom he succeeded in 1941, was the fifth Earl of Kenmare and owner of 140,000 acres with a family seat at Killarney and a residence in London. The *News Chronicle* said the family's estate in Ireland is of 10,000 acres and "includes some of the famous Killarney lakes." That will be news to many who sing of Killarney or recite its beauties. Killarney, of all places, private property! The thought gives one a shock.

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