

## Land-Value Rating Debated in Parliament

*During the Committee Stage of the Rating and Valuation (Miscellaneous Provisions) Bill, June 30, Mr. R. R. Stokes, Labour Member for Ipswich, moved that a new clause be inserted by which rating authorities would be free to adopt the rating of land values. The motion was lost by 168 to 120.*

MR. STOKES said that the new clause was a mixture of the L.C.C. Bill of 1938, and Mr. MacLaren's Bill of 1937. "Substantially it says what we tried to carry out in the Act of 1931, and which we shall no doubt carry into law when we on this side of the Committee are once again the Government."

The object of the new Clause was to provide additional or alternative sources of revenue for local authorities. Everybody knew what a jam the local authorities had got into over their finances, and everybody knew that they were getting more and more dependent on central Government funds. This dependence was increasing year by year. In 1953 a sum of £411 million was supplied from the central Government against £436 million collected by way of local rates.

The case for the rating of site values was admirably set out in a pamphlet\* to which the Minister had referred on June 17, having described it as 'a pale pink piece of paper.' If it was as pale pink as that, perhaps the right hon. Gentleman would accept the new Clause? If he examined what was involved and what lay behind the whole concept, he would find that this was a radical piece of legislation.

### *Karl Marx and Stanley Baldwin*

Karl Marx, in the fourth volume of his great work *Das Kapital*, on page 849, had suddenly stumbled across the great truth that: 'The expropriation of the masses of the people from the land forms the basis of the capitalist method of production.' "If the right hon. Gentleman can call that pale pink, I shall be much interested to know what he calls bright red. What we are seeking to do in this proposed new Clause is to remove the land monopoly. It is the first step towards so doing. Frankly, I do not expect that the Government will accept this new Clause. A Government based on land monopoly will hardly dream of doing anything so radical.

"I am reinforced in my belief by the statement made by Mr. Baldwin in June, 1931—[*Laughter.*]—this is important because the Measure was on the Statute Book at the time when the taxation and rating of site values had been introduced in the Finance Act, 1931, in Labour's Budget. What Mr. Baldwin said in the debate in June of that year was: 'I can say one thing about it'—he meant this Act—'if we get back to power the tax will never see daylight.' Well, it did not."

### *Equal Tax on Equal Land*

Many people believed that a rate on site values meant a level rate on every acre of land. It did not mean anything of the kind. It meant that there would be a rate on every piece of land regardless of size, and whether used or unused, according to the real value which attached to it at the moment of valuation. It would be valued as if it had nothing on it at the date of the valuation but as if every area in the immediate neighbourhood was in that state of development at the date of valuation.

The tax which the Clause envisaged was a just tax because it was levied on the values which were created by the community as a whole and not on the efforts of the individuals as such. "Again and again one gets from supposedly intelligent people objections to introducing this Measure. I have had

\* *The Rating of Site Values*, by R. R. Stokes, M.C., M.P. See page 71.

something to do with this subject in the last thirty years."

It was nonsense to argue as did the extremely ignorant that what the new Clause proposed was too difficult to do. It had been widely done in Denmark, Australia, some provinces in Canada, New Zealand, and South Africa. There had been cases where it had been "improperly introduced," but nowhere where it had been thoroughly introduced had it ever been dropped.

### *Simplicity of the Valuation*

"Secondly, it is objected to because it is argued that land value is difficult to arrive at. That also is absolute nonsense, because the only thing which it is really easy to arrive at is the value of land. It is when one starts arguing about the value of the building improvement on it that one gets into quite a considerable jam, and has to bring in valuers, architects, surveyors, and goodness knows what, in order to arrive at the real value of the improvements." All that was needed was a separate column in the valuation roll showing the value of the land separately from the improvements.

### *Why the tax on land values stays put*

Thirdly, it was very often alleged that a rate on site values would be passed on in the form of higher rents, that all the landlords would do would be to put up the rents. All reputable economists agreed that it was virtually impossible to do that. Mr. Stokes quoted from his "pale pink" pamphlet: We pass taxes, in the form of import duties and the rest of it, on to goods, because all goods carry the tax. But if, for example, there was a shoe shop in a main street and another shoe shop in a side street—where the land values were entirely different—and both shops sold the same quality shoes, it would be impossible to pass the higher land value of the main street into the selling price of the shoes because, if one did so, everyone would "bunk" around the corner to buy shoes from the shop in the side street. The rate on site values had to be paid by the landlord or the person who enjoys the site value. "The land-value rate or tax is like a handicap in a race. It levels up the different advantages and just as one runner cannot shift his handicap on to another so the landowner cannot shift his land-value rate on to the tenant or consumer." That was an economically accepted fact.

Was the rating of land values worthwhile? "A Bill relating to the L.C.C. in 1938 was framed on a 1936 estimate of annual valuation taken by the L.C.C. It was on the basis that the annual value of the land controlled by the L.C.C. was £32 million and that a 2s. rate would give a total rate of £3.2 million. That was in the Bill introduced in 1938 by my right hon. Friend the Member for Lewisham South (Mr. H. Morrison) who then represented Hackney North. It was turned down because Mr. Speaker of the day did not consider it was a Bill which should be introduced by a private Member. Of course, the Government of the day were totally opposed to doing anything of the kind."

### *The four chief benefits*

If passed into law, the proposed new Clause would do four main things. It would help to take the speculative value out of land. Secondly, it would bring more land into proper use. At the present time, provided that a man did not do

anything with his land, he paid no rates or taxes. Thirdly, it would prevent a too-early encroachment by urban developers on good agricultural land, and it would force all the land in urban areas into proper use and ensure that it was used before developers went further afield on to cheaper land and thus interfered with the agricultural production which was so important at the present time. Fourthly, it would remove one of the main impediments to development.

Anybody who had had anything to do with local government knew that one of the great difficulties was the cost of land when a local authority wanted to develop it. When land was developed in one area, the price of land all around it went up, so that more had to be paid before the next step could be taken.

#### *A Goat in Threadneedle Street*

"The present system of rating is absolutely crazy. If, as the owner of valuable land in the middle of a town, I do nothing with it I make no contribution to the rates, however valuable the land. I could own the site of the Bank of England and graze a goat on it. I should be rated for agricultural land and pay nothing, although the site of the Bank of England is probably worth £10 million and the annual value is probably worth £500,000.

"Under the present rating system, houses which are in ill repair are relieved of their rates: the more they fall down, the better. The only criminal is the man who improves his property, for then his rates go up. Surely, that is Bedlam."

#### *Minister Amused but Unconvinced*

MR. DUNCAN SANDYS, Minister of Housing and Local Government: "We have all heard of people who find an Income Tax advantage in having a farm, but it is perhaps one beyond the odds to graze a goat at the Bank of England—but I think that we have all enjoyed the breezy, forthright, humorous way, in which the right hon. Gentleman the Member for Ipswich (Mr. Stokes) has presented his Clause.

"Frankly, I do not feel that it is an improvement. It is certainly not a new idea. It is one that has been gone over and examined and inquired into by countless Royal Commissions and other commissions and committees of various kinds set up by various Governments of different political complexions. The most recent was the Erskine Simes Committee on which the right hon. Member for Ipswich himself sat until he had to resign when he became Minister of Works. All these inquiries have had the same result. They have all produced reports, with a majority report and a minority report. I have looked at the figures, and almost always the majority has been two-thirds and the minority one-third. The two-thirds majority has invariably come down against the proposal to rate site values."

#### *A Significant Admission*

MR. STOKES: "Would not the right hon. Gentleman admit that in substance the majority report of the Erskine Simes Committee completely falls to the ground by the removal of the development charge?"

MR. SANDYS: "I know that is a point."

MR. STOKES: "A big point."

MR. SANDYS: "I will deal with the point in a moment. They came to the conclusion that the rating of site values was neither practicable nor desirable. I accept the point made by the right hon. Gentleman that at that time they had necessarily to look at the matter in the context of the Town and Country Planning Act, 1947, which contained the provision to which the right hon. Gentleman has referred. But since then there has been a further examination of this

problem in relation to Scotland, though the problem in Scotland is no different from the problem in England so far as the question of rating of site values is concerned.

#### *Minister Lays a Smoke Screen*

"The Sorn Committee came to the conclusion that: 'Another alternative to the present system of valuation and rating which has been suggested as a possibility on previous occasions is the taxation of site values. This was comprehensively examined by the Committee on the Rating of Site Values, of which one of our number was a member, whose report was published in 1952. This Committee'—that is the Erskine Simes Committee—'concluded that the meeting of any part of local expenditure by an additional rate on site values is neither practicable nor desirable . . . ' and they go on to say: ' . . . and we have not received any evidence which leads us to dissent from that view.'"

MR. WILLIAM ROSS (Labour, Ayr and Bute, Kilmarnock): "The Minister should not be allowed to get away with that. They did not ask for any evidence. If the right hon. Gentleman reads the terms of reference, he will see that they were not considering new ways of raising finance at all."

MR. SANDYS: "It is a very authoritative report. They went into the whole question of rating, and they say that they considered this alternative proposal. Whether it was in their terms of reference or not, I am merely remarking—and I think it is a matter of interest to the Committee—that a body who sat and reported upon these and related questions thought it worthwhile to say in their report—whether it is in their terms of reference I do not know, and it is irrelevant to the issue—that they saw no reason to express any contrary opinion about this issue."

MR. ROSS: "Read the terms of reference."

MR. SANDYS: "If the hon. Member for Kilmarnock (Mr. Ross) is not interested in this, that is all right; but some other hon. Members in the Committee may think it has some relevance and is of interest for the simple reason that this authoritative Committee considered the matter after the repeal of the provisions of the 1947 Act."

MR. ROSS: "I am interested in it. The only difference between myself and hon. Members opposite, who claim to be interested in the point, is that this is a Scottish Committee, I have read its Report and hon. Members opposite have not. Nor has the Minister. He has read only an extract. He should read the terms of reference."

MR. SANDYS: "I do not want to pursue the matter. What I said was quite relevant to the issue—certainly as relevant as the goat and the Bank of England. The right hon. Gentleman (Mr. Stokes) said he was quite sure that I would not accept his proposal, and I should certainly not like to disappoint him."

#### *Bombed Sites Left Idle Deliberately*

MR. C. R. HOBSON (Labour, Keighley): "I am disappointed in the Minister's reply. He took from the Sorn Committee's Report something entirely out of context, and it was evident that he had not read the Report. This is not good enough when we are discussing such an important matter as this new Clause." The last time the House discussed the question of the rating of site values, in 1937, was on a Motion very similar to the new Clause and was in the context of new road development.

To-day land was being deliberately left vacant and undeveloped. Bombed sites were being deliberately left undeveloped in order that the price of land might increase. That increase in value would be due entirely to the work of the community and to the services provided by various public bodies and

municipalities. The landlord would have done nothing whatever to contribute to the increased value.

#### *New Clause Purely Permissive*

The new Clause was purely permissive. It had been the express desire of London County Council on more than one occasion to have this power. "I challenge anyone on either side of the Committee to answer this question. Can anyone say that every time a development takes place, whether for roads, new schools, or housing, immediately the price of the land does not go up and in itself is an incubus on taxation?" The Minister had not given an alternative and had given no reason for rejecting the Clause.

It was "absolute bunkum" to say that the rating of land values was impracticable. "It is done in Denmark and various parts of the Commonwealth. It is a practical proposition and, what is more important, large public works have been carried out in New Zealand and Australia, where it has been a practice, at a much lower cost to the community than would be the case in Britain."

"I hope this matter will be pressed to a Division. Whatever the result may be, this will not be the last time we shall hear about taxing and rating of site values between now and the next General Election. The absence of any taxation of site values is putting a premium on the under-development of this country."

#### *Automatically Acceptable*

MR. C. W. GIBSON (Labour, Wandsworth, Clapham) confessed amazement at the line taken by the Minister in replying to a Motion which attempted to find some solution to the most difficult problem in local government to-day.

Anyone who had taken the trouble to study this problem knew that it was automatically acceptable. He could quote in favour of this policy economists who were the heaven-sent professors of the Tory Party. Adam Smith, who found the excuses for Victorian capitalism, wrote in favour of the taxation of land values which, he said, could not be passed on; the landowner always had to pay it. John Stuart Mill did the same. Others could be quoted.

It was not sufficient for the Minister to say that there has been a lot of inquiries in this country and that everyone had turned down the proposition. In fact, that was not true. "The taxation and rating of land values was introduced by the late Lloyd George many years ago. It went ahead until a Tory Government came in and scrapped the lot. The late Philip Snowden introduced it in a Budget in the House. Again, it was going ahead until a Tory Government came in and scrapped it."

#### *Tremendous Pull of Landed Interests*

It was not sufficient to say that there had been inquiries and that they had always been turned down. "With the kind of inquiry that some of them have been, there is bound to be an adverse report because of the tremendous pull of the vested interests of land. That is one vested interest which has always been able to protect itself every time that Parliament has made some sort of move towards curbing its monopoly."

#### *Municipal Support*

"The object of the Clause is to help the local authorities. The right hon. Gentleman does not seem to know that over 400 local authorities in this country have passed resolutions in favour of the rating of site values. The more that this method is understood, the more people are coming round to recognise that it can be done. Most of the opposition, when it gets away from the plainly self-interest aspect, is on the grounds that this is all right as a theory and the values which

are created are created by the community, but that it is not practicable. The answer is to go to some of the places in our own Commonwealth."

#### *Mounting Cost of Local Government*

Local government would collapse unless some new source of revenue was found for local authorities. The cost of local government had increased since the end of the war. Quoting figures from the White Paper on National Income and Expenditure, Mr. Gibson said that "in 1948 the total expenditure of our local authorities was £711 million. In 1954 it was £1,103 million, a very substantial increase. Of that £1,103 million £460 million was raised from the local rates, an increase from £317 million in 1948. There was a substantial increase in the amount of the central Government's grants, which increased from £279 million in 1948 to £432 million in 1954."

#### *Increasing Dependence on Grants*

"The greater the amount of central Government grant becomes to local government services the more will local government be hamstrung, and the less it will have of freedom, and the less will be the chance our local authorities will have of advancing on imaginative and forward looking plans. We want to reduce the amount of central aid to local government. If we can find a new source of revenue for our local authorities we ought to."

#### *To encourage Home Building and Industry*

Unless something of this kind was done to provide local authorities with a substantial increase in income local government would break down, because it was becoming more and more difficult for the ratepayers to stand the burden of this expenditure. The burden could be lightened in the way that was done in New South Wales.

Hon. Gentlemen opposite who were so anxious to encourage building enterprise and the development of great industries should have been prepared to support a proposition which, wherever it had been tried, had produced a situation in which taxation had been removed from enterprise and from building and put upon the land, so that it was borne by the landowner.

#### *The Sorn Committee*

MR. E. HUGHES (Labour, South Ayrshire) said that Lord Sorn was a constituent of his. "I think the Minister quite unintentionally has given a wrong impression of the Sorn Committee, and I should like the Solicitor-General for Scotland to clear up this matter. Will he tell the Committee whether Lord Sorn's Committee had a definite remit to consider and report on the taxation of site values?"

Replying, Mr. Sandys said that it had been suggested that he had inappropriately quoted the Sorn Committee's Report, and it had been suggested that the examination of the question of the rating of site values was outside the terms of reference of the Committee. The terms of reference had been: "To review the present system of valuation and rating (other than the derating of agricultural, industrial and freight transport lands and heritages) in Scotland," and the Committee's first recommendation had been: "Neither a local income tax, the taxation of site values nor a local poll tax is practicable."

MR. STOKES: "On behalf of my hon. and right hon. Friends on this side, I must say that we are disappointed and disgusted with his (the Minister's) performance tonight. He has not really attempted to deal with the arguments seriously. He has not offered a single argument but has merely indulged in a lot of irrelevancies."