

# LAND & LIBERTY

MONTHLY JOURNAL FOR LAND VALUE TAXATION AND FREE TRADE

Fifty-fifth Year—Nos. 648-649.

4 Great Smith Street, London, S.W.1.

May & June, 1948. 1s.

	PAGE		PAGE
Next Year's International Conference ... ..	139	Land Value Rating in Operation (Supplement) ...	145
Whose Was The Victory? ... ..	140	The Slum Production Act ... ..	149
The Conference in Derbyshire ... ..	141	Snubbed by Sir Stafford ... ..	151
Breaking New Ground ... ..	143	"The Bow and Arrow Brigade" ... ..	153
Liberal Assembly—A Mixed Affair ... ..	144	West Australia, U.S.A., and Canada ... ..	154

## LAND-VALUE RATING UNDER ENQUIRY

THE United Committee for the Taxation of Land Values Ltd. has submitted evidence to the Interdepartmental Committee appointed in December last, whose terms of reference are:—

"to consider and report upon the practicability and desirability of meeting a part of local expenditure by an additional rate on site values, having regard to the provisions of the Town and Country Planning Acts and other factors." (The "additional rate" is interpreted to mean a rate levied upon a separate assessment of site values.)

The United Committee provided two Memoranda, one being its General Evidence and the other dealing separately with the Operation of Land-Value Rating in Various Countries. Sections of the latter Memorandum will be found in our Supplement. It forms the basis of a new and expanded edition, to be published, of our pamphlet *Land-Value Taxation in Practice*.

Here follows the text of the United Committee's General Evidence. It was the subject of hearings at two prolonged sessions of the Interdepartmental Committee on May 4th and June 8th:—

By the terms of reference to the Committee, attention is engaged upon the expenditures of the local authorities and the revenues that have to be collected to meet them. The two sources of revenue are the rates levied by the local authorities within their areas and the subventions provided by the Exchequer out of the proceeds of national taxation. The question submitted, whether some part of the necessary revenue should or could be met by the rating of land-values, is as relevant to the national taxation as it is to the local taxation. This is especially true when we have regard to the undoubted and, indeed, universally admitted effect of the Treasury subventions in raising the price of land or at least preventing its fall so that the benefit is ultimately cashed by the ground landlords. The ratepayer may be relieved of some part of his burden for the time being but in the long run he is not advantaged if, with the reduction of rates, there is a corresponding increase in the rent he must pay. The testimony supporting that inevitable result is overwhelming, particularly with regard to the Agricultural Rates Acts of 1896 and 1923 which were capped by the Derating Acts of 1928 and 1929 giving total relief to agricultural land and three-quarters' relief to industrial hereditaments.

The latest developments on these lines were enacted

under the Local Government Act, which throws on the Exchequer the burden of further large expenditures hitherto borne by the local authorities, and at the same time alters the distribution of the grants-in-aid so as to direct them mainly to the "poorer areas," as they are regarded. In the picturesque phrase of the Minister of Health during the debates on the Bill, the Exchequer now becomes a ratepayer, which simply means that the whole assemblage of taxpayers throughout the country are converted into ratepayers through their contributions to death duties, surtax, P.A.Y.E., purchase tax, entertainment tax, excise and customs, motor vehicle and petrol taxes, betting tax, and all the other taxes which Parliament imposes.

It is clear that very much wider issues are raised, under the terms of reference, than the levy of a rate on site values locally collected. The whole matter of the relationship between local and national finance could come under review, leading to the conclusion that the only right way in which these subventions should be met is by a general national tax on the value of land apart from improvements; but that discussion would take us beyond our immediate brief.

The fundamental principle which is raised is the right of the community to derive public revenue, whether for national or local purposes, from the value of land exclusive of all buildings and improvements. That value in land exists by virtue of the situation of the land and all the natural and social advantages which attach to it. These advantages are not produced by the individual landholder excepting as he is a member of the community; they are not the result of his individual industry or enterprise. The value of land is in a real sense a fund which belongs to the community, whereas all buildings and improvements are rightfully the property of those who produce them and they should be relieved from taxation. The proposition that landholders should contribute to the public revenue in proportion to the value of the land which they hold is first and foremost an ethical question.

In order that this reform may be carried out it is necessary that a valuation be made of the land apart from improvements. This valuation would be periodically revised, assessing on each occasion the land-value of every plot or holding—that is, the true market value of the land, disregarding any buildings or other improvements standing on that particular piece of land.

Applying these principles in practice to local taxation,

for example, each separate land-holding would stand charged with the land-value rate which the local authority finds it necessary to levy, and the land-value rate would apply in town and country alike and to all land whether residential, commercial, industrial or agricultural. The rate levy and collection would cause payment to be made by the owner of the freehold, or where the land is subject to long leases which can be subleased for a consideration (the land having risen in value since the original leases were granted), payment would be made by the freeholder and the leaseholders in proportion as they share in the land-value. The practical details of how this can be done were well worked out in the provisions of the Finance Act, 1931, and of the London Rating (Site Values) Bill, 1938.

Land value rating in practice would, in our estimation, have the following beneficial results:—

(1) Local authorities would have command over revenue resources which are now denied to them by the exemption of land-values from contribution and by the Derating Act. Rural Districts, in particular, would no longer have the stigma of "poor areas," obliging them to beg at the Exchequer for the subventions which are more and more making local self-government a mockery. The door would be open to the plenteous fund of land-value lying at their feet.

(2) The land-value rate would obtain revenue without placing any charge upon production or taking from anyone the results of his industry. The work of man's hands would be exempt from assessment.

(3) Local authorities would not be compelled to restrict and penalise enterprise, to make housing scarce and dear, by imposing rates upon buildings and other improvements.

(4) The land-value rate could not be "passed on" in higher prices or rent for land. Much as the economists may disagree, they are at least unanimous on that point.

(5) The continued payment year by year of the land-value rate, whether the land is used or not, would make the withholding of land "for a rise" highly unprofitable. The owner would be impelled to put the land to adequate use or allow others to do so. The available supply of land would be increased. Monopoly prices and monopoly rents would fall.

(6) The lifting of the rates off buildings and their transference upon land-values would bring especial relief to the occupiers of houses, shops and commercial offices who up till now, owing to the Derating Act and the tax-exemption of vacant lands, have borne the burden almost exclusively.

(7) Improvements being rate-free, all new building development would be advanced. The cost of housing accommodation and of shops, warehouses and business premises would be reduced. The homes for which people search in vain to-day would take quicker shape.

(8) The provision of allotments and small holdings would be facilitated. The whole standard of agriculture would be raised, with freedom for initiative, and in a natural and spontaneous way. The incidence of the land-value rate would insure against misuse or neglect of the land. There need be no place for coercive executive controls (with their penalties for disobedience) and the country would be rescued from the wasteful subsidies which sooner or later pass into higher prices for land.

The necessary accompaniment of levying the rates on the value of land is the remission of taxation now levied upon buildings and improvements. In other words, we envisage a thorough-going reform of the present system

of local rating, the defects of which are common knowledge. The present system is based upon an assessment of the annual rental, that is to say, the presumed rent of premises if let from year to year in their existing state. It includes the value of the buildings and other improvements as well as the land, but the valuation depends entirely upon the use which is made of the land at the time of valuation. If the land is unused, it is not rated; if the land is badly used, it is rated at a low figure, no matter how valuable it is. Conversely, if the land is well developed, the assessment is high. A penalty is put upon the use of land for housing or business or industrial purposes; while it gives a premium to those who hold land out of use or use it badly. The burden is borne by the tenants or occupiers who actually use the land. It is an addition to the rent which has to be paid for the occupancy of property. The poorer section of the population, whose expenditure upon house rent forms a very large fraction of their incomes, must pay relatively more of the local rates than those who are better off.

The results of this system are writ large over our towns and cities (and in rural districts as well), in slums, high rents, unequal development, land unused or badly used, and higher prices for land. The burden of the rates as at present levied falls with especial weight upon new buildings and improvements and is a standing barrier against all developments, whether undertaken privately or projected under Town Planning Schemes.

The urgency of the reform we advocate is not mitigated by the recent legislation affecting local taxation and the use of land. The principles underlying the reform are in no wise impaired, nor is their application rendered less necessary or less practicable. The Town and Country Planning Act, it is true, empowers the Central Land Board to levy a development charge which has been likened to a tax on the increased value of land; but its incidence, by being exigible only when and to the extent that development takes place, and its uncertainty by being variable at the discretion of the Board, dispose of it as having any relation whatever with the rating of land-values. Furthermore, the development charges provide no revenue either for the State or the local authority (for the relief of other taxation)—not until such time, which may be long hence, as the aggregate yield of these charges exceeds the £300,000,000 payable to the land-owners for the deprivation of their development rights. But that apart, the present rating system, unreformed, remains as a burden upon all improvements; and every new building or other development which the Town and Country Planning Act is meant to promote will have to bear the penalty of the increased assessment, which everywhere follows to-day where land is put to a better use.

By these considerations, the argument for the rating of land-values is reinforced. In its application, the necessary valuation would value all the land as if it were not restricted in its use. The valuers would take account (Ref. Section 70 of the Act) of the amount by which the value of any land with the benefit of planning permission in respect of any operations or any use of land exceeds the value which it would have without the benefit of such permission. The valuation, in fact, would assess all land as if it were in the category of the "dead ripe land" which, under the Town and Country Planning Act, is exempt from the development charge. It would be based on the same assumptions as are embodied in Section 61 of the Act, which provides for valuing the unrestricted

value of land for the purpose of apportioning the £300,000,000 compensation fund among the land-owners.

The Town and Country Planning Act has now superimposed a new interest in land which, like all the interests, should contribute its proportionate share to the levy of any rate or tax on land-values. This new interest is the title of the Central Land Board to the payment that must be made before development can take place. It is on the same footing as the terms and conditions which any ground landlord might impose. Indeed, in the course of the debates on the Act, it was repeatedly insisted that the Central Land Board must be regarded as a superior landlord, and there is no reason whatever why in the rating of land-values it should not be treated as such. Accordingly, in levying the land-value rate the Central Land Board would be required to make its due contribution. This would obviously predetermine the amount of the development charge which would be all to the good. As for the possible objection that the Board could not meet its liability of contribution to the land-value rate until it is armed with funds, that difficulty could be overcome by a

provision suspending the debit until such time as the development charge was collected. The obligation of the Central Land Board to pay its due proportion of the land-value rate, together with the corresponding obligation falling upon the land-holders, would impel all parties to co-operate in promoting the desired development of the land.

In submitting these proposals we are, of course, aware of the many complexities of the Town and Country Planning Act, with its discrimination between land which is restricted in its use and land which is not restricted, but these complexities can be resolved when the requisite valuation has ascertained the value of the land, with provision made for the apportionment of the land-value rate among the several interests in proportion to the value of their interests.

The demand for the reform of our rating system is of long standing. Hundreds of municipalities have repeatedly petitioned Parliament for the necessary legislation providing for the rating of land-values. We are with them in the hope that Parliament will act as speedily as may be.

## NEXT YEAR'S INTERNATIONAL CONFERENCE

Plans have now been laid for our next International Conference, called by the International Union for Land Value Taxation and Free Trade. The date is the week, August 14th to 21st, 1949.

We have been fortunate in securing "The Hayes," Swanwick, Derbyshire, the well-adapted and much sought-after house, with its beautiful grounds, belonging to the First Conference Estate, Limited. The main house has its adjoining hostel and other annexes, including the large conference hall, the grounds having tennis courts and other recreational facilities and the Estate being situated in a pleasant countryside.

The Conference will be open to all duly enrolled and subscription-paid members of the International Union, who also contribute the Conference fee of £1, required towards meeting the printing and other expenses and entitling the contributors to the publications and other material which will be issued.

A minimum attendance of 200 has been guaranteed, the maximum accommodation being 300 persons in the main building and the hostel, plus additional accommodation under camp conditions. The terms for the stay, including full board and gratuities will be: For the seven days, £5 10s. (\$22); for six days, £5 (20\$); for five days, £4 10s. (\$18); for four days, £3 15s. (\$15); for three days or less, £1, or \$5 per day. These terms are fixed on the basis of present price levels and exchange rates and will be varied only if, by August, 1949, there has been a material change in these respects. The accommodation in the main building and the hostel is made up of single and double bedrooms, and bedrooms for three or four sharing. The accommodation under camp conditions (in wooden hutments) will be at cheaper rates.

The great advantage of "The Hayes" is that all delegates will be living in one establishment, saving the trouble of booking hotel accommodation (a matter of considerable importance to the organisers); saving also the cost of hiring public halls, which in the past has added very much to Conference expenses. "The Hayes" provides an ideal spot as a holiday resort, from which excursions into the lovely neighbourhood will be arranged.

We give this announcement of the Conference well in

advance for the information of our adherents the world over, enabling them to plan their 1949 summer vacation so that the week August 14th-21st will fit into it and so that they can make their travel arrangements accordingly.

Previous International Conferences have been held in Oxford, 1923; Copenhagen, 1926 (when the International Union was formally constituted); in Edinburgh, 1929; in London, 1936, and in New York, 1939.

Observe the following paragraphs in the Constitution of the International Union:—

"The objects of The International Union for Land Value Taxation and Free Trade are to stimulate in all countries a public opinion favourable to permanent peace and prosperity for all peoples, through the progressive removal of the basic economic causes of poverty and war, as these causes are demonstrated in the writings of Henry George. Specifically, towards the realization of these objects, the Union favours the raising of public revenues by taxes and rates upon the value of land apart from improvements in order to secure the economic rent for the community and the abolition of taxes, tariffs, or imposts of every sort that interfere with the free production and exchange of wealth."

"Membership is open to all persons, irrespective of sex, race, or nationality, who in good faith sign a written declaration of adherence to the objects of the Union, and pay a minimum annual subscription equivalent to five shillings sterling (or \$1, U.S.A. and Canada). Additional subscription for the service of the monthly journal, LAND & LIBERTY, is 5s., or \$1, Yearly."

The Chairman of the Executive of the Union, Mr. Austin H. Peake, will preside over a Conference Committee constituted to take care of all arrangements.

The Honorary Treasurer, Mr. Ashley Mitchell, 4 Great Smith Street, London, S.W.1, making an earnest invitation, will be pleased to hear from all intending members, as well as from existing members whose subscriptions for the current year are now due; and to know whether they intend to enrol as members of the Conference, indicating at the same time whether they will be present. Extra donations which any friends are prepared to give for promoting the work of the Union will be greatly appreciated.