

LAND & LIBERTY

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EDITORIAL

The Liberals' Land Policy

THE LIBERAL ASSEMBLY held at Brighton last month, in a resolution on Housing and Land, reaffirmed its advocacy of site-value rating, or rather of its own version of site-value rating. It also advocated its own version of an increment tax on land values.

The relevant parts of the resolution were as follows:—

- (f) The introduction of measures to discourage land speculators, prevent artificially inflated land prices, and to reclaim for the community increases in site values.
- (i) When land is sold, the difference between the previous capital site value and the actual selling price will be subjected to a substantial tax. Transfers of ownership in the form of a gift, or sold below market value, will be deemed to have taken place at current market price.
- (ii) Rates will be based on existing capital site values and levied on a graduated scale — the rate in the £ increasing for higher capital site values.
- (iii) A defined amount of increased site value will be exempt from tax to take into account effects of inflation and to ensure that no financial penalty is inflicted on a person who changes one house for an identical one in a similar locality.

Councillor Gerald Owen, prospective candidate for Aldershot and North East Hampshire, proposing the motion, said—

"We shall thus draw a line across the calendar and assert that land values which have accrued up to that date shall be left in private hands but that, henceforth, all future increases will be the property of the community.

"The core of the proposal is that when land is sold, the difference between the previous site

value and the actual selling price will be subjected to a substantial tax. The previous site value will be the valuation declared in the enforcing Act to be the starting point, or the registered price paid at a subsequent sale."

It is sad to see this departure from fundamental principles. The Liberals have not learned the lessons of the past — the Lloyd George Act and the Development Charges of the Town and Country Planning Act. Such ill-conceived modifications of a straightforward tax on the annual value of land will not win more adherents; rather will such compromise give opponents of land-value taxation an opening for justified criticism, as have the compromises of the past.

Mr. Owen said that the measure did not dispense with but fortified the need to base rates on site values alone. The present system, which penalised those who had put the best buildings on their site or kept their property in good repair, was unfair and unrealistic.

No explanation was given for basing the site-value tax on the capital value of land. The effect of such a method would be to lower the capital value as the rate was imposed. The advantage of a tax upon annual values is that such values are unaffected by the tax itself.

The innovation of tax exemption to take into account the fall in the value of money is an unnecessary and foolish refinement. The tax is a percentage and the real value of the tax to the Government will also fall with inflation. A £100 tax on a capital value of £10,000 is no different from £200 tax on £20,000 capital value when the value of money has been halved through inflation.

But it is in the proposals for an increment tax that the thinking has gone so completely wrong. It could be argued that an increment tax does at least take some part of the future increase in land values but, as was demonstrated by Mr. Owen in his speech, it makes a dangerous concession in acknowledging the rights of individual land owners to appropriate existing land values in perpetuity. (A critic might well point out the inconsistency between the acceptance that existing land values which have accrued in the past shall remain in private hands and the proposals to raise local taxation on land values alone.)

The rent of land is not a once and for all charge upon the community — it is a perpetual charge; a hiving off each year of a portion of the national product for which nothing is given in exchange; an eternal mortgage on each generation as it comes into the world. Can this be Liberal principle?

The lack of principle is further demonstrated by the proposal to tax increases in land values *only when land is sold*. The developers who have had the good fortune to put their land into good semi-permanent use before the implementation of the Act are not only to be left with existing land values but with all future increases as well. The only thing they must not do is to sell their land, for this invites the increment tax and lowers the value of

their asset. The ghost of the development charge still haunts the minds of those who cannot think straight on the land question.

The ultimate effect of the increment tax upon individual land owners has obviously not been thought out. On the day "the line is drawn across the calendar," A may have land worth £10,000 and B land worth £15,000. After two or three years B's land may still be worth £15,000 while A's land has risen in value to the same value as B's. Thus A and B are both enjoying the same land value, but only the former would pay any tax upon it if the land were sold. Such absurdities and anomalies will grow. On a matter of principle there can be no justification for such discrimination among land owners. Anything more calculated to discredit the taxation of land values it would be hard to imagine.

After the general assembly had been concluded there was a meeting of Liberal Councillors, who were called together to consider a resolution on local government. The resolution contained the following proposals:

- (1) Local authorities should be allowed to levy local taxes.
- (2) Payment to local authorities of a fixed proportion of income taxes in the form of a general grant should be made.
- (3) Agricultural land should be rated.

These proposals were not acceptable to a majority of the Councillors, who succeeded in securing the reference back of the resolution.

By and large there was a tragic demonstration of lack of fundamental knowledge. Tremendous enthusiasm to do good and improve upon existing conditions in all economic spheres is all very well in itself. Based as this is, however, on emotional prejudice and woolly thinking, without the knowledge of the basic principles of economics, it is a lamentable waste. The saddest thing of all is the dismal lack of leadership in Liberal Party principles, and until a firm lead is given we must expect the extraordinary inconsistencies which abound in the official Liberal Party's land policy.

The Foolish Ones

A GREAT DEAL remains to be done to help clear misconceptions and misunderstandings about rating. When so little is known by so many it is all too easy for the glib critic to make people uneasy. That is why any suggested alternatives should be critically and openly examined. That is why all existing procedures and principles should be constantly scrutinised . . . This century is one of spectacular changes. Complacency about taxation will deserve and will get a salutary jerk. The only things quite incapable of improvement are in the minds of those monumentally foolish ones who simply cannot believe in anything but the established order.

—Frank Othick, Editor, *Rating and Valuation*.