

# LAND & LIBERTY

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TWO SHILLINGS

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## EDITORIAL

### Each Man His Due

A PREREQUISITE of good report writing is to have one's conclusion clearly in mind before one starts. With the conclusion well prepared it is easy to preface the report with a suitable introduction of aims and to set out the findings of any investigation or research in a logical sequence leading progressively towards the conclusion.

While this method of approach is the logical one, there are times when it may be considered politic to disregard it. In these instances, although the conclusions may have been carefully thought out in advance, the purpose of the exercise is omitted from the introduction, or, indeed, omitted altogether. In such cases one has to search hard for the fundamental premises upon which the body of the report is built. A new Hobart Paper, *Land in the Market*, is a good example of this type of presentation.

Dr. D. R. Denman, author of the booklet, is Head of the Department of Land Economy at Cambridge University, and is a staunch defender of the existing system of land tenure and taxation. In the early part of his treatise he discards the economists' definition of land in favour of a legal definition that includes the "sub-jacent and super-jacent things of a physical nature such as buildings, trees and minerals." It is here that we find in the continual use of the word "property" the traditional confusion between rights to land and rights to the products of labour.

In an attempt to come to grips with the moral case, Dr. Denman acknowledges the search for social justice and the *sum cuique* of the ancients—"that is just which renders to each man his due." This is, of course, as sound a proposition as one can make as a standard of ethics. The difficulty that arises is that of making the decision as to what can and what cannot be rightly regarded as man's

"due." This is Dr. Denman's approach:

"Today we have come perilously near substituting an abstraction — the good of the community — for the concrete reality of the just due of each man as a member of society in community with his neighbours. The community is set over against the individual person as if the person himself were external to it and not a member of it. We see this clearly in the all too familiar claims to take over land, especially the so-called unearned increment in land value, 'for the good of the community.' The pertinent and human question is not whether this or that policy is for the good of the community, but whether the policy is necessary in order to secure to each man his due. In this context, land owners and landlords, along with all other members of society, are rightful petitioners for justice. The point needs to be emphasised."

It is unfortunate that while Dr. Denman appears to be familiar with Henry George's philosophy, and indeed quotes George at one point in his thesis, he has chosen to ignore George's fundamental separation of those who derive incomes from land and those who derive incomes from improvements erected on land. He has also ignored the fact that justice, to have any meaning at all, must be based on equality of opportunity and not on fortuitous circumstances, tradition or dubious "legal" rights of the past or present.

What Dr. Denman omits to point out is that the rent of land is a monopoly value by virtue of the power of the law to uphold its private appropriation. Given that the right to appropriate site rent has been upheld for centuries in common law, are we to assume that man should serve the law of established rights rather than that the law should be used to serve man's widest interests, the interests that call for the establishment of equal rights among men in their relationship to what is not produced by them but supplied impartially by nature?

While the author has every right to hold views on the moral implications of private ownership in land, it is not generally expected that an academic and practical economist should mix these views with what has the superficial appearance of an objective analysis of economic phenomena. While it is impossible for anyone to rid himself completely of personal opinions, it is not unreasonable to expect these to be clearly shown as such, particularly from one who holds inherent respect by virtue of his position. The truth is that while Dr. Denman's thesis has much to commend it, it combines an unfortunate mixture of truth, half truth, special pleading and illogical reasoning. To claim that such work is potentially dangerous is not to slight the author on a personal basis but to point out that those who would search for an impartial assessment of problems and solutions will not find them here.

(This booklet is reviewed on another page by P. R. Hudson.)



## Where Angels Fear

**FOLLOWING CLOSELY** on its report on the rating of site values, which came in for severe criticism in our last issue, the Royal Institution of Chartered Surveyors published last month its working party's report on betterment. "The views" says the R.I.C.S., "must remain those of a small working party, expressed primarily to assist the Institution's representatives on the Buchanan Committee—certainly the observations are not the Institution's last word on this contentious subject." It is as well.

The Institution has taken part with four other societies in a Standing Joint Committee on the Buchanan Report "Traffic in Towns." Many aspects of the Report and its implications are being studied simultaneously by the Buchanan Committee.

Members of the R.I.C.S. working party were: Mr. R. W. Trumper (Chairman), Mr. E. R. Anthony, Mr. M. L. Fenton-Jones, Mr. S. Ferrada and Mr. H. S. Gilbert. They were asked to consider and report on "paragraph C of a Memorandum from representatives of the Royal Institution of Chartered Surveyors to the Standing Joint Committee on the Buchanan Report 'Traffic in Towns' on the subject of Acquisition, Compensation and Betterment."

Paragraph C is as follows: "We believe that whilst the business of owning and using land is in fact a business and should be taxed as such, there is a weight of public opinion that the liability to general taxation is not a sufficient levy on the increase in the value of land which results from the granting of planning permission and, if the public conscience demands it, it is within this limited field that a solution should be sought."

It will be noted that the Institution has not in this paragraph committed itself on the desirability of collecting betterment; it merely refers to "public opinion" and "the public conscience."

The working party states that it has not been able to find any reliable data on which to measure the increase in the value of land that results from the granting of planning permission. Nonetheless it came to some surprising theoretical conclusions.

The first is that land is only an ingredient of the "end product"—like bricks and labour. In short, the members of the working party see no distinction between land, labour or wealth. Not a very happy start for reaching conclusions of an economic nature, and it is this fundamental error that accounts for the absurdities that follow.

If the price of land is high, they state, it is because of the high price of the end product, whether it be houses, shops or factories. Now this is demonstrably untrue. With quite minor variations the cost of erecting houses, shops or factories (end products) is very much the same everywhere. The final cost of the development must, of course, include land plus buildings, so that variations in the final cost will reflect variations only in the cost of land. In fact, the cost of houses, shops or factories is completely independent of the cost of the land upon which they are built.

If, however, it is being argued that the "end product" includes both buildings and land and that the cost of land is high because the final price is high, then this is saying that the price of land is high because the price of land is high!

The working party further states that the price of the end product is determined by the pressures of supply and demand and not by the price of land or the other ingredients. Now while it is true that the rent of land does not enter into the price of commodities put on the market unattached to any piece of land (and this applies equally to a house if the house is sold by the builder independently of the land), it is certainly not true where the end product combines, as a unit, both the land and the commodity. Common observation will show that identical houses standing in different situations will sell for different prices — simply by virtue of the difference in the value of the land alone. And we certainly cannot accept that the price of labour and materials (the "other ingredients") do not affect the price of finished products, for this flies in the face of the facts.

Further confusion is introduced when land is treated as though it were capital. Thus any statement made regarding capital, which may well be true, is made to cover land, where it may not be, and indeed in this instance is not, true; for the authors argue that the imposition of a tax "on any part of the capital of an end product which is in short supply will either restrict the output or put up the price." Presumably the "capital of an end product which is in short supply" is intended to mean land, and since one cannot restrict the output of land the statement does not make sense.

Due to their ignorance of economic laws, the members of the working party seek to apply the same tests to the taxation of wealth as to the taxation of land; and in this connection any economist will tell them that this is a completely false approach. We suspect that the authors are trying to state in a roundabout way that taxes on land values can be passed on to the consumer, i.e., that such taxes put up the price of land, a notion that will not stand up to examination.

The working party states that "stable and reduced real prices (of end products) . . . can be partly achieved by the reorganisation and expansion of the construction industries so as to increase output up to the level of demand. This expansion must be founded on a basis of long-term de-

mand and adequate funds for investment. Increased productivity will then follow."

Can they mean an increased output of land? Hardly. They know that land cannot be manufactured or output therefore be referring only to buildings etc., so that the increased by reorganisation and investment. They can end product must now be confined to buildings alone. Thus by expanding the output of buildings and reducing their real prices the price of land will fall! The rest of their report is on the same level, betraying a woeful ignorance of elementary economics, thus completely confusing the whole question of betterment and its implications. Further confusion is created by the use of the words "end product" sometimes to include land and sometimes not. "The provision of land without a design for immediate use," they say, "will not reduce the price of the end product."

A blinding glimpse of the obvious is contained in the following: "In areas where physical extension is restricted the increasing pressure of demand will cause the price of the end product to rise and so cause the price of the ingredient of land to rise." In other words, where land is scarce demand will cause the price of land to rise!

They have, however, a solution for taxing profits arising from the granting of planning permission, in spite of the fact that they have confessed that they were not able to find any reliable data upon which to measure the value of planning permissions. They vaguely recommend that planning permissions be granted subject to the payment of a capital fine or its annual equivalent. "The portion of the increase in wealth which would be subject to



assessment should be the residue after allowing a proper return for risk, skill and management." How it is to be decided what constitutes a "proper return" for risk, skill and management is not stated. They then go on to recommend reassessments upon further development, including changes of use — in other words, the old, discredited development charge that taxed land use and not land value.

The last paragraph, it would seem, was designed to conceal thought rather than to reveal it, and is circumlocution at its worst: "Although the suggested solution provides a palliative, the long-term remedy lies in the rationalisation of land values by the grant of planning consents related to the national capacity and need to develop land. These can only be translated within the framework of a design for land use from national to local levels."

If the Standing Joint Committee on the Buchanan Report finds this statement on betterment of any help, it will be most remarkable. In our view it is worse than useless, adding absolutely nothing to, and indeed confusing, the issue under examination.