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THE TASK CONFRONTING THE GOVERNMENT

Land in Relation to Housing, Planning and Reconstruction

THE FUNDAMENTAL character of land as the basis of all human activity and the source from which all economic goods are originally drawn, should be self-evident. Apart from these general aspects the Government must inevitably be confronted with many special aspects in the problems which most imperatively demand its attention.

Housing must have a very high priority, and there are the other kinds of building, such as schools, hospitals, warehouses, and other industrial and commercial building which are essential for the maintenance of the economic life of the country. The terms upon which such land can be obtained, whether by the Government itself, or by local authorities, or by private individuals in the wide sphere in which private enterprise must inevitably function, are most important.

Of necessity in connection with this building or rebuilding there must arise problems of planning which are inescapable if past faults are to be remedied. The extent of the replanning needed will vary within very wide limits according to the needs of the locality and the extent of development likely to take place within such period as requires immediate action. Provision will also need to be made in many cases for new roads or improvement of existing roads, for open spaces, and other amenities. In many cases planning action will involve either purchase of land by public authorities or the payment of compensation for restrictions imposed upon the owners.

What is Needed

The essential conditions which must be secured are: (1) to ensure that land becomes available for use as and when it is required, either for public or for private use; (2) to prevent an excessive price or rent being charged for land, either for public or for private use; (3) to prevent excessive sums being paid as compensation for restrictions imposed for the benefit of the community in the process of planning; and (4) to secure for the benefit of the people the value which attaches to land by reason of the existence of the community and its economic activity.

There should be little disagreement with this formulation of the problem. Some may attach differing degrees of importance to these four objectives, but they are

all necessary, and it will be seen that they all hang together.

The public documents which have been issued on these questions, particularly the Uthwatt Committee's Report and the Coalition Government's White Paper on the Control of Land Use, do not contain an effective and comprehensive solution of the problem. The reasons for this were explained in detail in these columns at the time, but some of the more salient reasons will appear in the course of this review of the issues involved.

Existing Obstacles

Planning in itself is in large part a negative operation, preventing uses of land which are detrimental to adjoining occupiers or to the community generally, but doing little to ensure that land becomes available for use when needed and at a reasonable price. There is nothing on the statute book of this country which helps to secure these two important objectives. On the contrary the policy of our legislation has been in the opposite direction. The owner of vacant land escapes both local rates and all national taxation except death duties. The user of land is subjected to rates and taxes which mount with the degree to which he develops it. Thus speculation is encouraged and use is discouraged.

Some of the evils of speculation in land values were alluded to in the Uthwatt Report, but its treatment of this matter is inadequate and erroneous. It is entirely impracticable to say how much of the value of land in any particular case is speculative and how much is normal. The holding of land out of use—and what is equally important, but often ignored, the holding of land with poor and inadequate development—is a factor which raises land values generally, and not simply the value of such land as is for the moment unused. There is no means of saying how much the value of any site is affected as a result of this. There is only one way to solve the problem and that is by bringing speculative holding to an end and thereby reducing the price of land to a normal level. The only means which has ever been devised for attaining this is through the rating or taxation of site values. Public purchase of land, whether on a large or a small scale, is not a means of solving the problem, but of condoning the evil, for it involves the

payment of compensation or purchase price which includes an indefinable element of speculative value.

Some public purchase of land to meet immediate needs there must be, but such purchases should be confined to what is unavoidable until this root question of eliminating speculative values is effectively dealt with.

Requisite Legislation

The imposition of local rates, or of a national tax, on site values does meet the two first objectives of public policy which we have laid down. It discourages the holding of land out of use, and it thereby increases the available supply of land thus reducing prices all round.

To carry out such a policy requires legislation the precedents for which already exist. The Finance Bill of 1931, introduced by the Labour Government at that time, contains on the whole (and before it was injured by amendments forced upon the Government) the provisions which are required. In certain respects it could be amended and improved, but we need not digress from the main argument to consider matters of detail.

If a precedent of a Bill for the Local Rating of Sites Values is required, one will be found in the London Rating (Site Values) Bill which was introduced by the London County Council in the session 1938-39, but which did not proceed owing to the Speaker's ruling that private Bill procedure should not be allowed and the refusal of the majority of the House of Commons to accept Mr. Herbert Morrison's motion for leave to introduce it as a public Bill. This Bill could easily be adapted to the slightly different law of rating outside London. It was a sound piece of drafting, superior in some respects to the Land Value Tax provisions of the 1931 Finance Bill, and requires no amendment.

Valuation and Taxation

Whether a land value tax or a measure for local rating of site values should have priority in the legislative programme depends upon a number of factors. A land value tax measure whether included in a Finance Bill or not, would, if properly drafted, be a finance measure within the terms of the Parliament Act and so exempt from any obstruction by the House of Lords. Whether that body would attempt to delay a Bill for site

value rating must be a matter of opinion. If it did, there would be delay in its passage in order to comply with the procedure laid down in the Parliament Act, and speed is of great importance. Another point which deserves attention is the valuation. If this were to be left to local authorities under a Bill for rating site values, the task might in many cases be carried through very imperfectly. The local rating authorities do not all possess sufficiently competent staff and an adequate body of experience for such a task. The Inland Revenue on the other hand has in its district valuation offices the nucleus of an organisation trained in such work, and it has the particulars of sales of land and of leases which by law must be delivered to it for purposes of record.

The making of the first valuation must be a task of considerable magnitude and expense. It is a task which has too long been neglected, and it should be embarked upon without delay and pushed on with all possible speed.

Ineffective Expedients

Without a public valuation of land made as a basis of taxation, the country is left without the one indispensable instrument of scientific planning and with no means of establishing a fair

price for such land as must be acquired for public purposes. The present method of settling the price of land being bought by public authorities is either by agreement with the owner or by arbitration. The latter process is in essence a species of litigation, and no more unscientific method of settling the price of land could be devised. The price could be brought to the test of recorded fact, if we possessed a public and officially made valuation which served as a basis for taxation as well as of compensation.

Moreover, without taxation or rating of site values it is impossible to recover for the community in any effective fashion the land value which the community has created.

The schemes for levying a betterment charge which are contained in the Uthwatt Committee's Report and in the White Paper on the Control of Land Use are both difficult of application and partial and discriminatory in their incidence. They both also contain the fallacy that in the process of planning and redevelopment increases of land values will arise which will be adequate to meet the costs of compensation or purchase. There is no warrant for this belief. In addition neither of these schemes will yield a general valuation of land made upon uniform principles and they fail, there-

fore to provide the nation with the indispensable ground work which is needed to deal with these problems effectively.

Urgency of Rating Reform

There is also the vital consideration that it is imperative to relieve houses and other buildings and improvements of the burden which our present system of rating and taxation imposes upon the occupiers of them. A reform of our system of local rating is long overdue. The demands for local revenue are likely to increase as a result of the many new duties imposed upon local authorities in the fields of education, national health, housing, planning and other activities. There must of necessity be a delegation of many of these tasks to local authorities, and a considerable share of the cost must be borne by them if local responsibility and initiative are not to wither away. On the other hand the delegation will be ineffective if they do not have the revenue locally to meet the burden.

A great opportunity now lies before the Government. The electors expect much of it. Let it lay the foundations of land reform upon sound and permanent lines avoiding the temporary expedients and compromises which will effect no enduring solution but will merely impede a final settlement.

BARRIERS TO WORLD TRADE

IN AN important speech in London on August 20, Mr. W. W. Aldrich, president of the International Chamber of Commerce, and chairman of the Chase Bank of New York, advocated a world conference to speed the restoration of multilateral trade. Only if trade were free, he said, could reasonably full employment be attained without artificialities such as continued Government deficit financing which led ultimately to the socialisation of economy. Removal of trade barriers was a prerequisite of the removal of exchange controls and the stabilisation of exchange rates. The longer controls were maintained the more difficult were they to eliminate. Only if trade barriers were removed, continued Mr. Aldrich, would nations be assured that debts incurred for stabilisation could be repaid in goods. Only if domestic economic controls were removed would competitive forces be given full play and national income rise high enough to support a large volume of foreign trade. He condemned restrictions, monopolies, and cartels, which interfered with the free functioning of the price system. He added: "Nations can all too easily drift into totalitarianism by permitting or promoting those practices which in themselves seem innocuous and perhaps even beneficial, but which in cumulative effect destroy the private enterprise system."

Mr. Aldrich was as strongly against the control of interest rates as against import duties. "If we are to remove wartime controls and let the competitive and dynamic forces of the economy have full

scope, we must, as one phase of this problem, decontrol the rate of interest.

"If," he added, "Governments are determined to keep interest rates low in the post-war period, continued credit expansion will be induced in view of the large pent-up demand for capital. Continued credit expansion will lead to demands for the maintenance of price and rationing control by Government authorities over the types of loans to be made by commercial banks and over the use of savings funds.

"Such controls inevitably lead to a form of State capitalism, in which the State decides by means of its control over short and long term credits the types of industries to be favoured and of goods to be produced. Unless the rate of interest is relied upon to influence the supply of savings and to allocate those savings to industrial and other uses, the State will have to perform these functions. It will have to decide how much people should save and what industries should use those savings. But this involves complete control over the economic life of a nation."

Mr. Aldrich maintained that private enterprise was the only means of establishing world trade. Maximum world production required that all nations must have equal access to an expanding world trade, to achieve which we must resist the post-war strong pressures that would exist for the cartelisation of industry and for international commodity agreements.

It is not easy, as the *Manchester Guardian* comments, to see how all this

could be made to fit in with the programme of our own Government. Mr. Dalton's speech, as Chancellor of the Exchequer, in the House of Commons, the following day, took the opposite view on the issues raised by Mr. Aldrich. Planning of investments, control of prices, control of interest, are to be maintained or extended, and it all shows a disbelief in that freedom in the economic sphere for which Mr. Aldrich made such a convincing plea. On international trade Mr. Dalton made his policy clear. "We must press forward to expand our exports and reduce our dependence on imports, in so far as we import commodities which can be effectively produced at home." The qualification seems to beg the question, for the issue is just this, not as to whether goods can be produced effectively, but whether they can be produced *more* effectively, and more cheaply at home or abroad. Mr. Dalton used the illustration of alarm clocks, which were not being made in this country when war broke out. "When we wanted to awaken our workers we suddenly found that we had to bring large quantities of alarm clocks from across the sea. Private enterprise in this country was not able to provide alarm clocks." This is the old-fashioned Protectionist argument, and we need a new Free Trade "alarm clock" to awaken our electors to its dangers and fallacies. No doubt private enterprise in this country could turn out timepieces of all kinds so that we could dispense with importing them. But at what a cost? The Ingersoll watch, for example, which