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THE ARCHBISHOP OF CANTERBURY AND THE LAND QUESTION

AT A mass meeting in the Albert Hall, London, on 26th September, arranged by the Industrial Christian Fellowship as a sequel to the Malvern Conference of last year, the speakers included Dr Temple the Archbishop of Canterbury, Dr Garbett the Archbishop of York and Sir Stafford Cripps. In the course of his address Dr. Temple said:

"There are four requisites for life which are provided by nature, even apart from man's labour: air, light, land and water. I suppose that if it were possible to establish a property claim upon air, somebody would have done it before now and made people pay if they wanted to breathe what he would then call 'his air.' So too of light. But it has not been found possible to do this.

"Unhappily it has been found possible in the case both of land and of water, and we have tended to respect the claims that have been made by owners of land and the water flowing through it or beneath it, in a way which subordinates the general interest to the private interest of those owners.

"I am not myself at all persuaded that the right way to deal with this question is by the nationalization of the land, but I am quite sure that we need to assert the prior interest of the community in respect to land and water with a vigour of which our recent political history shows no trace.

"Here supremely the principle of the old Christian tradition holds good, that the right of property is a right of administration or of stewardship, never a right to exclusive use.

"Our present treatment of land and of the buildings placed upon it strikes me as peculiarly topsy turvy. If a landlord neglects his property and it falls into a bad condition, which is an injury to society, the rates upon that property are reduced; while if he improves the property and so does a service to society, the rates are increased.

"But if the rates were levied upon the land itself and not upon the buildings placed upon it, there would always be the inducement to make the property as good as possible in order that the best return might be received from it."

The foregoing is as reported in the *Sunday Express*. *Reynolds Newspaper* also reported these passages, but the other London newspapers except for a reference by Mr Hannen Swaffer in the *Daily Herald*, and the *Manchester Guardian*, ignored the statement on the rating of land values. Extracts broadcast by the B.B.C. also omitted this.

THE UTHWATT COMMITTEE'S PROPOSALS

THE PROPOSALS put forward in the Report of the Expert Committee on Compensation and Betterment (Chairman Mr Justice Uthwatt) fall under three main headings:

(1) The purchase by the State of "development rights" of all land outside built-up areas and the consequential arrangements suggested for permitting development in such areas.

(2) Amendments of the law relating to town planning in built-up areas including simplification of procedure, extension of powers of the planning authority to acquire land needed for planning, and modification of the rules for assessment of compensation for land purchased.

(3) The imposition of a levy of 75 per cent of future increases in the annual site value of land. This arrangement applies mainly to land in built-up areas, but may apply also to such land in other areas as is permitted to be developed.

The distinction between built-up areas or "town areas" and the rest of the country is not to be defined by existing municipal boundaries, but by a survey to be made by the proposed Central Planning Authority which is to ascertain the limits by the test that "there is such an amount of continuous occupancy of the ground by buildings that persons may be said to be living in the same town or place continuously." It will be evident that the "town areas" will necessarily contain considerable areas of vacant or undeveloped land as well as areas which are poorly or inadequately developed.

The making of the delimitation between "town areas" and other areas is, therefore, a condition precedent to the application of the main proposals of the Committee.

What are Development Rights?

By "development" the Committee mean the use of land for purposes other than agriculture (including forestry and horticulture) but excepting the erection of buildings which serve the amenity of a dwelling house. The purchase of development rights by the State will, therefore, prevent the owner of land, and any tenant or lessee, from using the land for any purpose except agriculture. The Committee, however, propose that an owner should not be deprived of the right to erect a dwelling for his own use subject to his obtaining a licence from the planning authority.

The land the development rights of which are to be acquired includes all land outside "town areas" except dwellings and other buildings occupying a site of not more than one acre, land occupied by industrial and trade premises including railways and docks, churches, hospitals and various other institutions.

Arguments for Purchase

The reasons for the proposed purchase of development rights is explained by the Committee in these terms: "A coastal area, a beauty spot, the fringe land round existing towns, may all have a high building value for residential or industrial development, yet it may be in the national interest to forbid building whether for reasons of amenity or because the soil is highly fertile and suited for agriculture. Similarly it may be in the national interest to prevent some of our large existing cities from expanding further. This will involve sterilization from building of much land which, if unrestricted, would command a high price for development. Action such as this is practically impossible under the existing planning legislation on account of the liability placed upon the local planning authority for compensating all the landowners concerned for deprivation of development value." On this, however, it may be remarked that the burden of compensation will not cease to exist, if it is transferred from the shoulders of the local authority to those of the State. It will have to be paid in the end by individuals either out of rates or taxes. It may be suggested that the burden will be more equitably spread, but the inhabitants of rural areas required to contribute to the cost of establishing green belts round great cities with high rateable values might not assent to that view.

Speculative Values

The Committee go on to say that "potential development value created by the expectation of future development is spread over many more acres than are actually required for development in the near future or are ever likely to be developed." And again "potential development value is by nature speculative." It is implicit in their scheme for the State acquisition of development rights for a global sum, which is afterwards to be apportioned among the owners of the land, that the price paid will be less than the sum total obtained by valuing the development rights of each individual plot and adding them up to find the total. This would result in a "heavy over-capitalization." Their view is that "between two and three times too much would be paid if piecemeal valuation formed the basis of compensation." In other words the proposal is one for confiscating from one half to two thirds of present values of the land in question.

The Committee do not give any indication of how the global sum for the value of "development rights" is to be arrived at except that "the amount should be fixed by the Government after taking

expert advice." There is in fact no means by which any one can discover how much of the present value of land is speculative. The only way to discover that is the practical method of applying the rating and taxation of land values to all land so as to prevent the holding of land out of use. When this has been done, the value of land will sink to its true economic level and there would be no need to purchase the so-called development rights.

Compensation to Landowners

The distribution of the global sum will be to such owners of land as claim compensation within a certain time limit. It is to be based upon a valuation as at March, 1939, of the difference between the value of the land subject to the restriction against development and its value free from that restriction. It involves that these individual valuations shall be made and the total ascertained—the ratio of the individual valuation to the total will fix the fraction of the global sum paid to any individual.

It is also proposed that there should be a supplemental compensation fund out of which additional compensation should be paid to those owners whose land was "dead ripe" for development. Land which is "dead ripe" for development is defined as that for which plans had been deposited before the outbreak of war or which had been bought or leased within a year before that date.

The extremely arbitrary nature of all these proposals is self-evident.

Development in the Restricted Area

If any one wants to develop land in the restricted area, it is proposed that he should make application to the planning authority. If the application is approved the planning authority will buy the land from the owner compulsorily at a price subject to the restriction (paying also compensation for severance and injurious affection, if any). It will then lease the land to the would-be developer (who may be the expropriated owner) at a rent which will depend upon the unrestricted value of the land.

How the rent is to be determined is not explained. As the planning authority will be a monopolist, it may be that the rent will be as high as could have been got in any event. If so, this procedure will certainly not encourage development. It will indeed discourage it because every attempt to acquire land for development may become the subject of complicated proceedings.

The High Level of Land Prices

The whole plan is subject to the fundamental defect that there is nothing in it to bring down the level of land prices to the reasonable level which would prevail if all land were to be freely on offer for use without any attempt to hold for speculative values. It is impossible to conceive of any method of reaching this position except by the rating and taxation of land values, and if that were put into operation there would be no necessity for purchasing speculative values from owners of land.

The Committee state that they consider land value taxation and rating to be outside their terms of reference (which they have stretched very freely in other directions). That being so, it is clear that no final decision regarding land policy should be taken until this important aspect of the question is considered. If the problem is viewed in its broadest economic aspects, the conclusions reached by the Committee must be drastically modified. It is imperative to recall that the development of land for housing and other purposes is seriously impeded not only by the high speculative values of land, but also by the heavy burden of rates and taxes which is at present imposed upon developed land while valuable vacant land escapes contribution and badly developed is assessed relatively lightly.

Betterment

The Committee have an exhaustive discussion of the attempts which have been made in the past to collect "betterment" or increase of land value due to public expenditure in planning or re-planning including the provision of roads, open spaces and other amenities.

They come to the conclusion that all these attempts have been ineffective and have failed to produce practical results, and that in any case it is impossible to distinguish between the results of the various factors which contribute to land value. The arguments relating to this will be familiar to many of our readers. They were set out very clearly in the evidence submitted to the Committee by the Parliamentary Land Values Group (copies of which are freely available to any of our readers).

The criticism extends not only to the "betterment" provisions in the Town Planning Acts, but also to "set off," improvement rates, and purchase of areas of land adjoining the improvement with a view to recoupment.

Proposed Levy on Increased Site Values

The Committee, while stating that land value taxation and rating is outside their term of reference, propose that there should be a levy on increases of site values. This levy would apply to all land both in "town areas" and in the restricted areas, but agricultural land and the sites of recognized places of worship would be exempted. Agricultural land is omitted on the ground that it would (unless it was in "town areas") come within the development rights scheme, and landlords could gain no increases in value except for agricultural purposes.

The proposal is that the local authorities should in making their valuation lists insert in an additional column the annual site value of the land as at the date of the valuation. It will be noticed that, although the Committee in their interim report proposed that values for purposes of public acquisition should be "stabilised" at the March, 1939, value, they do not propose to reckon increases in site value from that date. Every fifth year after the initial valuation there would be a new valuation. If this showed an increase in site value, there would be an annual levy of 75 per cent of the increase, and

this would be continued until the third valuation. Wherever the third valuation showed an increase in annual site value over the original valuation, 75 per cent of that increase would be levied every year until the next valuation; and so onward.

Anomalies

The basis of valuation is to be "the annual value of the site as then actually and physically developed" subject to the proviso that the annual value of undeveloped sites in urban areas is also to be ascertained. This evidently means that the vacant site should be valued upon the basis of the use which could be made of it, whereas the value of other sites would be based upon the use being made of them at the time of valuation. Such a plan will clearly lead to curious anomalies. For instance it is conceivable that there might be side by side plots of identical value as cleared sites, but if one has old-fashioned and poor buildings on it, it may be valued at less than an adjacent vacant site. It will not be possible to establish consistent and uniform valuations upon such a basis. No distinction of this kind has been made in places where the taxation or rating of site values is at present in operation.

Other Defects

The fundamental defect of the proposal is that it fails to take any account of the economic nature of land value. The accretion of land value which may take place in any particular site during the next five years is no different in nature from the value which it has already acquired. It is entirely due to the whole economic environment including the public services available, the density of population and the general economic activity of the community. If it is right that some or all of that value should be returned to the community to pay for the public services which are essential to the life of the community, then there can be no valid distinction based upon a separation of the value at some point of time. In truth the value of land is not due to what has been done in the past, but to the expectation of what will be done in the future—to the prospect of the community continuing to exist and function and to the public services being maintained.

Moreover, this proposal does nothing to exact any contribution from the existing value of vacant land which will continue to escape as it does now. It does nothing or next to nothing to relieve buildings and improvements from the burden of rates which is now imposed upon them and which in a classic phrase "operates as a hostile tariff" on development.

Need for Land Valuation and Taxation

Planning is directed towards economic ends. It relates to land utilization. It is an indispensable prerequisite to any successful plan that we should know what are the values we have to deal with. There must be a general valuation conducted upon coherent and uniform principles. The chairman (Lord Justice Scott) and four other members of the

Committee on Land Utilization in Rural Areas have recommended that there should be such a valuation showing in each case the site value. The Uthwatt Committee reject the idea of a general valuation but their plan for distribution of compensation for "development rights" will in fact necessitate a far more difficult valuation of extensive areas, and their scheme for a levy on increases in site value will necessitate a valuation of practically all land except agricultural land. Is it not possible to secure general agreement that a valuation should be made of all site values? If that were done essential data would be available.

Principles of Valuation

The Uthwatt Committee do make some valuable observations on the principles of valuation in connection with the distribution of compensation for development rights which deserve extended quotation:

"Uniformity in valuation is necessary and the machinery of valuation should be directed to securing this. We suggest that the valuations be made by the Valuation Office of the Inland Revenue Department. The District Valuers are well qualified by their experience for the work and know the conditions of their districts, and they would, we believe, have the confidence of landowners and their professional advisers in undertaking these valuations. . . . Claimants should be entitled to make such representations upon the questions of values as they may be advised, but there is no room or occasion for any arbitration before the District Valuer or any other person. We think that there should be some right of reference by a dissatisfied claimant from the valuation made by a District Valuer. It is clear to us that the reference should be treated as an administrative matter and dealt with on those lines by the higher officers of the Valuation Office and that the introduction of a referee appointed from a panel would be wholly inappropriate. Only the valuer who has had to apply his mind to an entire area is able to make uniform and consistent valuation."

These are wise remarks. They condemn entirely the plan of arbitration adopted at present in questions of public purchase. They show that uniformity of valuation can only be secured by intimate knowledge of all the circumstances of an area.

It must be added that valuations for purposes of public purchase must not be divorced from valuations for purposes of taxation.

Eliminate Speculative Values

The Uthwatt Committee has not appreciated that the problem of speculative values is as clamant in the "town areas" as in the rest, that the high values in the towns are in part conditioned by the speculation on the outskirts of the towns as well as by that within them. They do not see that speculative values can only be eliminated by adjusting our system of taxation so as to make it unprofitable to withhold valuable land from use.

They say again and again that planning

merely shifts values; "it increases the value of some land and decreases the value of other land." Yet at the same time they assent to the proposition that planning may actually save land, and indeed save considerable amounts of it. If that is so, planning will increase the disposable supply of land, and will, if speculation can be eliminated, reduce the value. But the whole scheme of the Committee is based upon the assumption that present prices of land will be maintained (at least in total) and that there is no need to reduce the price of land.

Where Planning Costs Most

The report lays considerable stress upon the prohibitive price which must be paid for purchase or compensation in respect of land adjoining urban areas. But this is by far the easiest and least costly side of planning. The improvement of urban areas by new roads and new layouts is immensely more expensive, and the proposals hardly touch the fringe of that problem. The new rules for assessment of compensation for land purchased may result in some mitigation of the price, but it would be a mistake for any local authority to hope for much easement in that way so long as the price must be decided in default of agreement by an arbitrator in the existing fashion and without regard to any general valuation fixed for purposes of taxation. As we have already mentioned the Committee expose the fallacy of ascertaining values by arbitration in connection with their development rights scheme, but they stick to it for other purposes.

The Individual Land User

Finally, and not least important, it must be remembered that land is required by individuals far more than by public authorities. The high price of land is as much a handicap to the individual who wants land for building houses or for some industrial and commercial process. Such activities are the essence of economic life. The object of the State should be to encourage them, but there is not a single proposal in the report which is calculated to ensure that land for such purposes shall become available more freely and more cheaply. The ultimate and extremely dangerous result with which it confronts us is this: that the State and the local authorities will spend a great deal of public money upon planning, that a heavy burden of rates and taxes will be levied to pay for it, but that the individual use of land for dwellings or for industry will not follow upon the new roads and layout because of the high price of land accentuated by increased local rates. The only known means of avoiding this result is through land value rating and taxation, and it is imperative that this measure should be promptly applied if the real objects of planning are not to be completely stultified.

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DECLARATION ON THE UTHWATT REPORT

The following Resolution was unanimously adopted by the Executive of the English League for the Taxation of Land Values at its September meeting:—

"The Executive of the English League for the Taxation of Land Values, having considered the Final Report of the Uthwatt Committee on Compensation and Betterment, re-affirms its belief that the Taxation and Rating of all Land Values, whether Urban, Agricultural or Mineral, and the Untaxing and Unrating of all Buildings and other Improvements in or on the Land, are the indispensable pre-requisites for Reconstruction and Development after the War; and declares

"That it is not in the public interest, nor is it necessary for the purposes of Reconstruction, to purchase with public money Land Values which are created and maintained by the public;

"That the value of the 'Development Rights' which the Committee proposes should be purchased is merely a speculative value due to land monopoly, which should be taxed out of existence; and

"That the proposed 'periodic levy on a proportion of increase in annual site value' is not an acceptable substitute for the Taxation and Rating of Land Values, and will not ensure the same economic benefits."

This Resolution is being widely circulated to the Press and to interested organizations and persons.

A correspondent writes: "If Land Value Taxation does not come into force before or immediately after the war is over, we are going to witness the greatest land profiteering in history."

RATING AND TAXATION IN THE HOUSING SCENE

By F. C. R. Douglas, M.A., L.C.C., M.P.

One of the "Design for Britain" series of pamphlets published for the Co-operative Permanent Building Society by Messrs J. M. Dent & Sons Ltd. and edited by Dr Edwin C. Fairchild. An outstanding contribution to the series enabling the housing reformer to see the important bearing of the land and taxation system upon his problems as well as on all that relates to town planning and post-war construction. The editor says: "Mr Douglas has shown that the rise and fall of land values affects the location of industry and housing and that, as a principal element of the social problem, the price of land cannot be separated from the distribution of home ownership."

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