

WHAT IS WRONG WITH OUR RATING SYSTEM?



MANY ratepayers feel there is something wrong with our present rating system: that it is neither efficient nor just. Rates have come to be regarded less as a payment for services rendered than as a fine or penalty for industry and enterprise. This is not surprising when it is considered how our rating system operates.

This, in effect, is what happens. Mr. "A", desiring to get the maximum advantages from his site, decides to improve his property and perhaps make some small addition to his building either for his own enjoyment or to extend his business.

The local rating authority appears to disapprove and he is "fined" for his enterprise by an increase in rates. This frustrates endeavour, hampers progress and engenders apathy in the minds of those who, by improving and rebuilding, would seek to improve the faces of our dilapidated cities and offer better facilities for business and entertainment.

Mr. "B" is indifferent to the needs of the community. Perhaps he has made his pile, anyway. He makes poor use of his site and allows his building to fall into a neglected state, perhaps to become a potential slum. This, apparently, pleases the authorities for they show their approval by granting him a reduction of rates at the next assessment!

Finally, there is Mr. "C", a landholder. He is a special favourite. He pays no rates at all because he makes no use of his site. He had not intended using it when he bought it. He is sitting tight, waiting for a rise in price! Not only will he not use his site, but he will not allow others to use it. If he is approached he asks for an exorbitant rent, which discourages and disheartens people with more initiative.

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Thus our rating system encourages him to create an artificial scarcity and rewards him for so doing by releasing him from the obligation of paying rates. Multiply these three types of property owner by thousands and you get what faces you every time you look around your town or city; slums, potential slums, dilapidations and empty sites. So much for the justice of our present system of rating as concerns the payers of rates.

There is, however, a more important consideration in connection with our rating system than the unfair allocation of rates that puts the heaviest burdens on the most industrious. It is that our system, by putting a premium on idleness, condones, encourages and supports the evil growth of land monopoly which hinders production, stifles progress and restricts opportunities for employment.

The Alternative

What is the alternative to our rating system that would remove these evils and at the same time ensure an equitable distribution of rate charges?

The answer is to levy rates on the land only, whether sites are used or not, and remove all rates levied on buildings and improvements. Consider what encouragement this would give to build and develop. Consider what a liability unused land would be. Consider how this would bring on to the market valuable sites and productive land, and thus bring rent and prices down.

What of the justice of this? Taxes operate as a fine. They tend to discourage progress and the activities of man. They are unjust because the greater the activity of labour the greater the tax. On the other hand, a rate on land values does not lessen the quantity of land; on the contrary, it makes more available by forcing it into use.

The question of rating land values instead of buildings brings us to an important distinction. The distinction is between what is created by the community and what is created by the individual.

What a man produces by his own labour is rightly his. The value which attaches to land is a result of public expenditure and does not belong to private individuals.

Transferring the Benefits

During the last century the rise in land values has been tremendous, and this has been due not to the activities of the landholder but of the people. The landholder has reaped the benefit and given nothing in return.

The advantages of increased productive power have resulted in increasing land values and are reflected by the exorbitant prices and rents asked—and paid—for sites.

Housing, education, health services and other social needs are urgent. They must be paid for, and land values provide a natural revenue. In the interests of justice we should see that this revenue is collected and used for the needs of the community.