

motor cars, refrigerators, and all the other visible signs of our "affluent" society. The situation is paralleled in the subsidising of council houses. It does no good to blame the tenants. What has to be done is to narrow the margin between the cost of living in rent-controlled or council houses and new ones of similar capacity.

However, some people are moving from controlled houses and flats, despite the high cost of owning a house. This movement can be speeded up in the first place by decontrol of rents — with due and proper concern for established cases of hardship — and in the second place by a stiff tax on land values. The latter would end land speculation, bring down the price of land, and make more land available for building. The land-value tax would provide an income for the Government to use in lieu of purchase tax or income tax, thereby leaving people with more money to spend on housing. Those who, in

spite of tax concessions and lower land costs, could not afford their own homes would, as more people moved into their own houses, be left with a wider choice of rented accommodation.

As each strata in the population moved to better accommodation, which, although perhaps dearer, would still be within their means, the slum properties at the bottom of the scale would disappear. The rack-rented tenants, and those unfortunate people who are living in "rest" centres and in furnished rooms because they can find no other accommodation, would find housing conditions even better than before the last war, when there was a wide choice of low-rented accommodation and low-priced houses.

There can be no swift solution to the housing problem, but unless a start is made on the lines indicated the problem will never be truly solved.

NOTES AND NEWS

Another enquiry — S.V.R.; bad medicine — The worship of the Simes report — A new journal looks at land — A liberal Conservative.



NO USEFUL CONTRIBUTION

A MAZE of misconceptions and errors is contained in the section on the rating of site values in the report of the Working Party appointed by the County Councils Association to enquire into the rating system and local revenues. Even if the Working Party were able to refute the charge of prejudice, they would have to answer the charge of negligence.

The County Councils Association asked the legal and financial advisers of the Local Government Finance Committee "to examine generally the present rating system, to re-examine the possibilities of alternative sources of local revenue, and to consider whether any change should be made in the proportions of local government expenditure which should be met from national and local sources, and to report the result of these investigations to the Committee."

As a result, Mr. R. H. A. Chisholm, County Treasurer, Cheshire County Council; Mr. J. Jolly, County Treasurer, Lindsey County Council; and Mr. J. L. Hampshire, County Treasurer, Kent County Council, together with Mr. A. H. M. Smyth, Deputy Clerk, Hampshire County Council, were appointed as the Working Party, and they have carried out "the extensive preliminary general study." In this they have been greatly assisted by a report published in 1956 by the Royal Institute of Public Administration entitled *New Sources of Local Revenue* says the Introduction.

The Working Party's conclusions are:

(a) That the most fruitful field of further study, with the object of increasing the revenue of local authorities, lies in the relationship between government grants and rates.

(b) That the difficulties, social, political and economic, involved in the adoption of any of the alternative sources of revenue which they have examined are such as to inhibit, if not entirely preclude, their introduction into our fiscal system.

In examining the case for site-value rating, not only have the Working Party been "greatly assisted" by the report of the Royal Institute of Public Administration,* they have relied heavily on what they describe as the "principal source of study" — the Simes Committee report.

The Working Party have repeated the errors and the well-worn and fallacious arguments of their predecessors, and have added a few more, it would seem, for originality's sake.

They confuse the rating of site values with the development charges of the 1947 Town and Country Planning Act, with the increment tax, and with Lloyd George's land duties. And they talk of the taxation of land values as having been "abandoned" when the National Gov-

* Our review of *New Sources of Local Revenue* published by the R.I.P.A. is available as a reprint under the title *Site-Value Rating: Objections Answered*.

ernment, as a political measure, repealed the Snowden Act of 1931 before the valuation was ever under way.

They make great play with "planning value" and "market value" as though planning value did not in itself govern market value. And they are so out-of-date and unoriginal as to suggest that the site-value rate can be "passed on." No evidence is of course offered. They should have known that this point is no longer one of dispute among those (advocates and opponents alike) who have studied the matter.

The Working Party have not troubled to acquaint themselves with the economic nature of land value or with the principles of site-value rating. They condemn what they *assume* is site-value rating, and talk of "existing use value" as though that had something to do with the matter.

Ignoring the fact that the owners of land receive by way of increased land values the inestimable benefits of local government expenditure and the private enterprise and productivity of ratepayers generally, the Working Party blandly assert that site-value rating "disregards benefits received!"

Then comes the extraordinary assertion that one of the two strongest arguments for the rating of site values is that it would enable agricultural land to be rated. This is nonsense, of course. Agricultural land could be *and has been* rated without having the rating of site values, but the Working Party, having put up their Aunt Sally, proceed to state the obvious in order to "demolish" "one of the strongest arguments . . . !"

The clearest evidence that the Working Party have skipped their home-work is contained in the following assertion:

"The owner of a house in a curtilage sufficiently large to enable it to be sub-divided into separate house plots possesses an 'unearned increment' which would be brought into charge in a system of site-value rating in the same way as the owner of building land on the outskirts of a town which is ripe for development. The site-value rate might bear hardly upon him, possibly as hardly as the existing system. This is only a simple illustration of the close similarity between the defects of a site-value rating system and the present system."

This attempt to establish that there is a close similarity between alleged defects of site-value rating and the defects of the present system is absurd, and shows how vague is the Working Party's idea of what site-value rating is. As for the site-value rate bearing hardly upon anyone, this would depend entirely upon his interest in land value as opposed to building value, and this would vary from person to person. No reference, of course, is made to the landless tenant of a house with no curtilage large enough to contain anything except an outside lavatory.

The Report then goes on to speak of the "serious administrative difficulties that would arise," but makes no attempt to define them.

It is because the Working Party have — and admittedly so — relied heavily upon the Simes Committee report and upon the report of the Royal Institute of Public Administration (which in turn relied heavily upon the Simes Committee), that it makes no useful contribution to the question. Errors are repeated, and it is to be regretted that no independent and unprejudiced approach was made to this important subject.

NO FAITH IN OUR MEDICINE

SITE-VALUE RATING would be a "form of medicine worse than the disease," according to Roland Freeman, B.Sc. (ECON), a former Director of the London Municipal Society, member of Wandsworth Borough Council, and Editor of *Property*.

Writing in a new Aims of Industry booklet* *The Ratepayer's Burden — Can We Ease The Load?*, Mr. Freeman advocates that the present rate charge of £400 million for education should in future be borne by taxation.

The booklet also calls for the abolition of the entire system of highway grants, and argues that Councils should be allowed instead to keep part of the motor licence revenue they collect for the Government. The effect of this, together with the switch of educational spending from rates to taxes, would mean that in future "the proportion of money raised by the Councils themselves would become substantially greater than that granted to them by the Government."

Reviewing the past nine years of rating changes, Mr. Freeman points out that industry has been the worst hit. Since 1955 "the grand total of rates has more than doubled, the householder paying a rather smaller proportion, commerce about the same as before, while industry pays nearly four times its previous share."

"Rates are a permanent element in costs," says the author, "whereas taxes are payable on profits only if profits are made."

Under the heading "Which are the alternatives?" Mr. Freeman perfunctorily examines "the two most common" — the rating of site values and a local income tax. Both are dismissed.

After making the point (page 9) that the present rating system "penalises improvements to property," the author says on the following page that under site-value rating, the effect is to penalise the owner of old buildings or undeveloped land!

He goes on confusedly, "This may have advantages, especially in new countries where there are few old buildings and it is in the national interest to encourage rapid development of land."

"But in Britain it could mean that where the sites are of equal value the owners of an old, cheap and nasty building would have to pay the same rates as those who possess a smart, up-to-date and valuable property. Town planning decisions on the use which may be made of a site could largely determine the value of it for rating purposes."

(*The views expressed, says the booklet, are those of Mr. Freeman, not Aims of Industry.)