

The Public Status of Land Value Taxation in Great Britain

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THE Fifth International Conference on Land Value Taxation and Free Trade in London, September, 1936 (succeeding Ronda in Spain, 1913; Oxford, 1923; Copenhagen, 1926, and Edinburgh, 1929) was promoted by the International Union and considered a wide range of subjects which had been set forth in a series of 28 printed papers distributed to the members. Of the sessions we recall in particular those devoted to the practical application of the land value policy. Special significance attached to them because of the attendance of as many as 109 delegates officially appointed by 55 local governing authorities in Great Britain—cities, towns and counties. They came from metropolitan boroughs and towns surrounding London, from the Midlands, and from as far as Yorkshire, Lancashire, Devon, Wales and Scotland, cities being represented like Cambridge, Cardiff, Glasgow, Hull, St. Helens, South Shields, Stafford, Sunderland, Swansea, Wakefield and Warrington. The invitation to these bodies had been issued by the United Committee for the Taxation of Land Values; and as far as the municipal representatives were concerned the business of the meetings they had been called to was confined to the municipal question from the thoroughly practical point of view.

Presiding on this occasion was Mr. Charles Latham, the Chairman of the Finance Committee of the London County Council. The papers on the agenda were: Land Valuation in Denmark, General Summary of Legislation in operation in various countries, Official Replies to Questionnaire as to Working and Results, the Pittsburgh Plan, Town Planning and Taxation, Ten Years Experience in Denmark, the British Municipal Demand for Land Value Rating and the Report on Site Value Rating of the London County Council Finance Committee. The last-named was an official report of the highest significance. The London County Council was taking action. It was that circumstance which most impressed the Conference members, especially those from other countries, who saw in it, and in the interest of so many local authorities, that the question of land value taxation is "in politics" in Great Britain in the truest sense of the term.

It would require much writing to trace the history of events back to the time when in 1895, largely at the instance of Peter Burt, the Glasgow City Council accepted the principle of land value rating and obtained the cooperation of numerous Scottish local authorities in promoting it. It is an interesting and instructive story outlined in the Report already mentioned of the L.C.C. Finance Committee, which rightly gives credit to London

for having led the English demand for the reform with the Bill it introduced in 1901. During the Liberal administration, 1906 to 1914, the Government's attempts at legislation for Scotland, twice passed through the House of Commons, were frustrated by the House of Lords. In 1909 a Budget incorporating provisions for land valuation, which were imperfect but could have been improved by later amending legislation, and imposing certain so-called "land value duties," which were highly defective but could have been reconstructed on right lines, was regarded by the landed interests as a beginning that must be defeated at all costs. The House of Lords scorned all precedent by rejecting the measure and there had to be two General Elections upon the constitutional issue that arose. The Parliament Act, 1911, prevented the House of Lords from obstructing Money Bills (that is Bills dealing with national revenues and national taxation), but the Lords can still delay the passage of other legislation for a period of three sessions or two years. Since legislation affecting local government is not in the category of Money Bills, it is apparent that the House of Lords could, if it wished, hold up for all that time a Bill for the Rating of Land Values presented to it by the House of Commons. But how far the Lords would be prepared to go, risking their own fate, in resisting the Commons determined upon local taxation reform or any other radical measure, remains to be seen.

In Great Britain we are accustomed to speak of the "taxation of land values" when referring to national taxation, and the "rating of land values" when referring to local taxation. In regard to the latter it should be explained that local governing authorities in Great Britain have no option in raising the revenues required for local needs. They have to operate the law as they get it from Parliament, and it is only by a parliamentary Act that the system can be changed. The present local rating system is based on the rental which the composite subject, land and buildings, without separating one from the other, can command if let for a year in its existing condition; a formula which results in vacant land having no assessed value however valuable it may be. Accordingly it is entirely exempt from local taxation. So also in the matter of national taxation, except that, as property, land is subject to death duties on its capital value; but the amount of taxation so levied on any piece of land altogether depends on the total value of all the property that the deceased has left; and that, too, with a considerable abatement in favor of agricultural land. Further as to local taxation, since the levy is imposed on the *occupier*, no rates are payable on unoccupied properties (England and Wales—the Scottish law differs in some respects). Land used for agricultural purposes (even if, so used, it was in the heart of a city) is free from local taxation and there is a special dispensation in favor of "industrial" premises namely, factories and workshops, which are relieved from

three-quarters of the rates. Both these reliefs are, in fact, subsidies out of the public revenues which sooner or later pass out of the hands of the immediate beneficiaries into the hands of landowners by way of increased prices and rents of land. The system of national taxation is equally bad and unjust, if not more so, because it includes a mass of price-raising indirect taxes, and now (since 1931) the customs tariffs that have fastened the iniquity of protectionism on this country. The fiscal regime locally and nationally penalizes production and development and exchange. Far worse, it protects and endows the land monopoly which is responsible for high rents, low wages, unemployment and the derived social conditions which every right-thinking person knows to be perfectly unnatural. We seek the remedy in Acts of Parliament which by just taxation will appropriate the value of land for the benefit of all the people, and correspondingly remove taxation from the backs of producers and consumers, "from the work of man's hands" to use the happy phrase of the one-time able advocate, the late Alexander Ure.

If the Conservatives have any pledge, in addition to protectionism, it is to stand by the landed interests and preserve the private appropriation of the rent of land. In 1920 they had brought about the total repeal of the 1909-10 Finance Act "land value duties" the proceeds of which were repaid to the taxpayers.

Since 1914 and the years of war there have been but two brief periods when the Conservative party and its allies were not in power, the periods of the Labor Governments, 1923-24 and 1929-31, supported by the Liberals. But why the Labor and Liberal parties did not take better advantage of their opportunities, even during the short periods when in combination they could promote the reform to which both are pledged by many declarations, is another question, which along with the causes of the 1924 General Election debacle, need not be gone into here. In July, 1931, the Finance Act, on which high hopes were raised, was passed with its provisions for land valuation and a tax on land values. The growing acuteness of the economic depression gave to the opponents of the Labor Government the opportunity to throw the blame upon it, and they exploited, as they knew how, a financial and industrial crisis. The Labor Government was driven from office, and a coalition or "National" Government was formed. In the immediately succeeding General Election, and in an atmosphere of much worked-up panic the National Government was returned with an overwhelming majority. Disgracefully dishonoring the pledges it gave, the new Government at once suspended the land value tax, and two years later repealed it; and with equal disregard to pledges or without any mandate the Free Trade system of the country was uprooted. The previous administration had been charged with extravagance that

was a danger to the State, but the present administration seems to know no limit to the subsidies it is handing out to its favored interests, and to see no financial crisis ahead of its huge additions to the national debt.

But let the immediate prospects of a progressive Parliament be as they may, the sentiment for the land value policy is steadily cultivated with the help of many agencies, and not the least influential are the local authorities demanding the reform of the rating system. More by accident than design various municipalities have taken their turn in leading that agitation—Glasgow, Cardiff, Manchester, Sheffield, Newcastle-on-Tyne, Bradford, Leeds, Stoke-on-Trent, Edmonton, Tottenham and the London County Council, either by official conferences they have held, or the publication of reports, or representations made to other City or Town Councils for cooperation.

The joint author of this paper (Mr. Eustace Davies) would speak especially of the developments in Wales with a necessary passing reference to the background of the work conducted by the Welsh League for the Taxation of Land Values, and (although so many others could be mentioned) putting on record the municipal services of Mr. P. Wilson Raffan when he was associated with the Monmouthshire County Council before he settled in London and became Member of Parliament. Unfortunately, owing to ill-health, Mr. Raffan is retired from public life. So Monmouthshire took a leading part. But after the war, the Cardiff City Council was the first among British municipalities to renew the demand by resolution adopted in October, 1919, and communicated to county and municipal authorities throughout the country. Cardiff is perhaps exceptional in that the rating of land values is less a dividing political-party issue than elsewhere, shown not only in the voting when the question comes up in Council, but also in the pledges that candidates give when canvassed, as they are, at the annual municipal elections. In April, 1935, the City Council, confirming its declaration in favor of the policy, decided to call a representative conference of local rating authorities in Wales and Monmouthshire, and while the invitations to that conference were going out, the United Committee and the Welsh League communicated with every individual councillor and alderman in the urban and rural districts seeking their support and sending relevant explanatory literature to each. The Conference was held in September, 1935, at which 50 local authorities were represented by 99 delegates, and with but one dissentient vote the policy was affirmed with instruction to send the resolution to the Government and Members of Parliament, and to request all the local authorities in England and Wales to pass resolutions in similar terms. While that invitation went out, the United Committee again took parallel action by writing to all the clerks of the local authorities offering the explanatory literature

for distribution among their members; and the response made it necessary to despatch more than 3,200 of each of the publications offered. All that made for open debate and discussion as a wealth of newspaper reports showed. By the end of the year, the Cardiff Town Clerk was able to report to his Council that replies had been received from 339 local authorities of which 148 declared in favor, 22 referred the matter to the Association of Municipal Corporations, 28 were against, and 134 took no action.

Representative Conferences, national or regional, have been successfully called by the United Committee from time to time over many years, the bodies participating including local authorities, political associations, cooperative societies and guilds, trade unions, etc. At the National Conference in Manchester, in 1930, there were present 182 councillors and aldermen from 71 local authorities. The proceedings and the demonstrations in support of its resolutions both before and after it took place were, as we know, a pointer to Mr. Philip Snowden, and conclusive evidence of the popular support behind the question when he was framing the land values provisions of the 1931 Budget; and in his speech introducing that measure he found justification in the municipal demand, and justification also in the fact that the principle had been in the programme of the Liberal party for about 40 years, and in the programme of the Labor party ever since its inception.

In Ireland, the Association of Irish Municipalities has in recent years been giving considerable attention to the problem of local taxation and has been pressing the Government to empower local authorities to rate land values. In 1934, the triennial election for the London County Council resulted in a resounding victory for the Labor party, after 27 years of rule by the Conservatives calling themselves "municipal reformers." Steps were quickly taken by the new Labor Government of the L.C.C. to implement its pledge to promote the rating of land values. The Finance Committee was requested (on the motion of Mr. F. C. R. Douglas) to consider and report upon the present system and make recommendations. The Report, occupying 28 quarto pages, was completed in June, 1936, and was adopted by the Council the following month. It is a public document of first-class importance which will inevitably be referred to in all future discussions of the reform of local taxation, with its review of the present system, its statement of the objections thereto, the various attempts of Parliament to deal with the question, and setting forth the merits of land value rating; a text-book and guide for all municipal councillors. It concludes with the recommendation:—

That the Council is of opinion that the present system is inequitable in its incidence, that site value is a subject peculiarly suited to local taxation by reason

of its arising from community influences including local expenditure and that it is accordingly desirable that the present burden of local expenditure should be transferred either wholly or in part from rates to a rate on site values. That H.M. Government be informed of the opinion expressed in the foregoing resolution and be urged to introduce legislation at an early date to empower local authorities to levy a rate on site values.

The Council petitioned the Government in vain, reply being that no action would be taken for such legislation, and the Council, after resolution virtually censuring the Government for this curt refusal, decided to promote a Bill of its own. In the circumstances this had to be what is known as a "Private Bill" applying only to London. The Bill being drafted with extraordinary care and ability—as to be a standard for future legislation either for the national or the local taxation of land values—was fully debated in the Council and approved by them for presentation in the 1938 session of Parliament. It provided for making a start with a rate of 2s. in the £ of annual land value. The amount of discussion it evoked, with Press articles and correspondence all over the country was remarkable. Even though "only a London Bill," it was regarded on all hands as a challenge to the institution that passes the public value of land into private pockets; if London could make a breach in the ramparts of that institution the rest of the country would not be slow to follow suit. Many local authorities passed resolutions supporting the Bill. On the other hand the vested interests were aroused to energetic opposition, understanding well that the land monopoly tackled anywhere is tackled everywhere; and their petitions and protests against the Bill poured in from many parts. So the Bill applying only to London and with its moderate proposal to begin with a land value rate of 2s. in the £, raised the principle and made it a national issue.

In London itself the Labor party organized a great campaign of bill-posting and leaflet distribution. But the fate of the Bill was soon determined. The opponents were alert to seize on any technicality to prevent discussion, and they obtained a ruling by the Speaker of the House of Commons that it was not in order that a measure of such importance should be introduced as a "private bill." Upon motion made by Mr. Herbert Morrison for leave to re-introduce the measure as a "public bill" they were forced into the open and obliged to record their votes against the motion, which was defeated.

In spite of this, local authorities have not ceased to demand powers to rate land values, and in the last few weeks two of the largest county councils, Middlesex and Essex, have passed resolutions in that sense. And undismayed by the fate of the London County Council Bill the Edmonton Town Council has reaffirmed its demand for the rating of land values and sent its resolution

to all the local authorities in the country, as quite recently the Tottenham Town Council did within the county of Middlesex. More than 240 local authorities have in the last few years declared for the policy. These things are evidence that the public demand for the taxation of land values is no less strong than it was at those periods when Parliament actually passed the legislation that has been referred to. On the contrary, the sentiment in favor of the policy is much greater, and is only waiting upon a progressive Parliament to give effect to it.

Henry George— A Lesson in Continuity

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A CENTURY ago Auguste Comte designated continuity and fecundity as the "least doubtful symptoms" of a true science. Economics does not qualify, he said, since each new work "in lieu of presenting itself as the spontaneous sequence and gradual development of previous works, has an essentially personal character according to its author."

Raymond B. Fosdick in his Review of the Rockefeller Foundation for 1938 says that though improvement is being made, in the social sciences "no body of generalized knowledge and no accepted scientific principles are available such as have been developed in mathematics or physics or chemistry. The physical sciences have centuries of experimentation behind them; the social sciences are just emerging from *a priori* and deductive methods. Even today a good deal that masquerades under the name of social science is metaphysics, as obsolete in its approach as was Francesco Sizzi's logic against Galileo's discovery of the satellites of Jupiter.¹ This same logical method, long outmoded in the physical sciences, is traceable in some weighty books on economics and political science written as late as 1938."

Progress in thought represents the pull between two forces, the old attempting to maintain its position and the new seeking acceptance. If any change is so personal and abrupt as to break off the continuity with the past, the result is chaos. If the pull of past forces is so strong as to permit no alteration, the result is stagnation. If the change makes use of the best of the past and at the same time projects into the future, the result is progress. Was Henry George's system part of a stream of thought, or was it merely of an "essentially personal character, peculiar to its author?" George did not build directly upon his predecessors. He arrived at his main conclusions by experience and observation. Typical history of several centuries duration was telescoped before his eyes into the period of a generation. In his early discussions of the railroad and of land reform he wrote about

the condition of the people, not about the theories of men. He was both a spectator and an actor in the drama of California.

But Henry George was not a fanatic. His ideas fit into the broad development of human thought. When he began "Progress and Poverty," he studied much of the literature of economics and philosophy for the first time, and discovered that with some exceptions his theory, already formulated in 1871 in "Our Land and Land Policy," was consistent with the views of many of his predecessors. His task in "Progress and Poverty" thus became one of "going over the whole ground," of modifying or strengthening his position, and in case of clash with the then established theories, of proving that his doctrines were sound and adequate.

This sifting of the "good" from the "bad" in economic theory constituted the pull between past and future which is necessary for continuity. George accepted the physiocratic doctrine of the bounty of nature and rejected the Malthusian theory of population and the niggardliness of nature. He retained the Ricardian theory of rent as the cornerstone of his Single Tax and discarded or modified certain portions of the classical doctrines of wages and interest. He advocated the tax on economic rent not as a fiscal device and a measure of economy as did the physiocrats, but as a method of social reform. He clung to the natural rights theory as an explanation of property and as a justification for the exemption from taxation of the products of labor.

He believed in interference with private initiative of the landowners, but, his Single Tax adopted, he staunchly advocated *laissez-faire*. While Adam Smith and John Stuart Mill of the major economists had suggested the idea of a tax on unearned increment and possibly on economic rent,² Henry George went the whole way and advocated the Single Tax as a remedy for most economic ills.

Henry George's idea of giving to labor its entire product was not new. Following the Ricardian labor theory of value and the subsistence principle of wages, Karl Marx had concluded, contrary to Ricardo, that the entire output should go to labor and that profits and interest constituted exploitation. Following Ricardo's theory of rent and agreeing with Marx on the basic fact of the concentration of wealth and increasing misery, George considered capital and interest as merely another form of labor and wages, and accused only the landowner of exploitation. George and Marx started with some of the same notions of the classical economists, agreed on certain phases, and then split off into different schools of thought.

Here is continuity at its best. John R. Commons in his "Institutional Economics"³ says in regard to the influence of the Physiocrat Quesnay:

"Forty years after Quesnay, Malthus substituted nature's scarcity for nature's abundance. Sixty years after Quesnay,