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A SCOTTISH COMMITTEE'S STERILE PROPOSALS

The system by which local authorities in Great Britain obtain their revenues, apart from the large subventions and grants in aid they receive out of the National Exchequer, is to levy local taxation on the use to which land is put. The basis of this taxation or of the "local rates" as they are called is the annual rental value that any property (land and buildings taken together) has or is estimated to have if at the date of assessment it were let in its actual state on a yearly tenure. The application of that formula to vacant land is that no rateable value can be attributed to it, whatever may be its actual value if it were sold or leased on long term in the open market. Vacant land however valuable is rate-exempt land. In England and Wales it is "nil" so far as assessment rolls are concerned; in Scotland it is entered at a purely nominal figure. Consider further what this formula "in its actual state" or in some statutes "in its existing condition" involves. Where land carries a good building or is otherwise well improved, it will command *in that state* a higher rent than if the building is obsolete or unsuited, or is derelict; and accordingly it will have a higher assessment. Thirdly, when any structural improvement is made or the "amenities" of the property are increased so as to yield a greater rent, or a building is erected where none was before, the assessor sees to it and at once up goes the assessment.

The matter can be illustrated by taking three sites, each of the same value as sites. One is well improved, the assessment is high; the second has an out-of-date or tumbledown structure on it, the assessment is low; the third is vacant, the assessment is nothing or nominal. It is only when and as improvement is made that the tax falls, and it falls quite clearly like a penalty for having made the improvement. Housing, industry, enterprise and employment are everywhere at its mercy; its results are written large over our cities and towns, and in rural districts as well, in slums, high rents, unequal development, land unused or badly used, and high prices for land. The question of who actually pays the assessed tax is not material. Its economic effects as a tax on the work of man's hands would be precisely the same whoever paid in the first instance, and its final incidence is inevitably upon the consumer of the articles taxed; in this case on the user, that is the occupier, of the bricks and mortar, and timber and all else, which, put together form the habitations of man. It is a "hostile tariff" on structures of every kind.

This brief description of the present rating system and how it operates is by way of offering a preface to the latest official essay on the subject. It is the Report (Cmd. 9244, Price 3s. 6d.) of the Sorn Committee* appointed in May, 1953, by the Secretary of State to review the system in Scotland and make recommendation as to any changes they found to be necessary. Incidentally, they were debarred from considering the derating policy by which agricultural land is exempted from rate-charge and by which three-quarters relief is given in respect of factory and industrial premises, the Government preventing any evidence being taken on that most pertinent matter, thus rendering the enquiry largely derisory. But the Committee were not inconvenienced thereby. They expressed their approval of that derating policy with the privilege it establishes and deliberately made their proposals fit in with its retention.

The changes the Sorn Committee would effect are ludicrously described as constituting a great reform. Their sum and substance is that the Scottish practice should be brought into conformity with the English. Then Scotland, it appears, would be as happily situated as England. The English practice is praised and is said not to deter development nor to discourage house building, nor to obstruct industry and commerce, as the Scottish practice does. This is nonsense, for basically the two systems are precisely the same.

The picture of a relatively flourishing England and a relatively distressed Scotland is, of course, fantastic. It is an astonishing performance on the part of the eminent persons who constitute this Committee. Their one and only proposal is to stop the sharing of the liability for payment of rates as between owners and occupiers and to place that liability wholly upon the occupiers—English fashion!

But to digress and explain briefly the Scottish position and nomenclature. Local rates are levied separately on owners and occupiers on the same assessment of the property, and when the owner is also the occupier he pays both rates. The "owner" in this connection means "the person in the actual receipt of the rents and profits of lands and heritages." This will commonly be the person who is the last or lowest among the feudal holders except that a tenant under a lease of more than 21 years (in the case of minerals 31 years) is entered as "owner". In the vast majority of cases the "owner" is a feudatory ("vassal" in Scots) paying a fixed perpetual feu duty or rent-charge to the party the Scots are pleased to call the "superior" landlord who, out of the rents he receives, makes no contribution to the local rates—a circumstance which these reviewers studiously refrain from mentioning.

To give an illustration of the incidence of owners' rates (Year 1952/53): In Edinburgh, owners 4s. 2d., occupiers, 6s. 8d.; in Glasgow, owners, 7s. 11½d., occupiers, 11s. 10½d.; in Ayr County, owners, 8s. 8d., occupiers, 7s. 10d. These rates added together make the total burden on the property. But seeing that the owner includes the owner's rate in the rent he charges to the occupier, in the final analysis it is the occupier who bears the whole

* The members were Lord Sorn (Chairman), Judge of the Land Valuation Appeal Court; J. G. Banks, Lord Provost of Edinburgh; J. T. Byrne, secretary in Scottish sections of the Shipbuilding and Engineering and Electrical Trades Unions; Lord Greenhill, a former treasurer of Glasgow Corporation; Sir Hugh Mackenzie, a former Provost of Inverness; D. McNiven, a Glasgow solicitor; J. Cassels Pinkerton, city assessor of Glasgow; and Sir Thompson, convener of Peebles-shire and chairman of the Scottish Special Housing Association.

burden. It is only in exceptional circumstances that this does not happen as when lettable properties are a drug in the market, a phenomenon that will take long in appearing in now house-starved Scotland.

The Sorn Committee concentrate their whole fire on the abolition of the owners' rates, this to be done by the occupier shouldering the liability and having his rent correspondingly abated. A consequential change would be the levelling down of all assessments from the basis of the rents now obtaining (which embody the owners' rates) to that of the new rents. And further than that, the Committee would reduce the level down to that in England, which is the "net rateable value" after certain allowances for insurance, maintenance and repairs. This would mean a corresponding rise in the rate in the £, the same amount of revenue being obtained. For example, the rateable value of Glasgow would be reduced from £13,323,259 to £6,815,922 and the rate in the £ would be increased from 19s. 10d. (owners plus occupiers) to 38s. 9d. in the £ on occupiers only. This is a startling outcome, but we can let it go at that. Nor need we dwell on the subsidiary proposals. The great concern of the Committee is to abolish the owners' rates. The subsidiary proposals fall into line so that the exemption of agricultural land and the taxation of houses would be as effectively achieved as in England. And crofters' houses, built by themselves, would be rated (in breach of the Crofters Acts that have ever held them exempt) a proposal that has already raised a storm of protest in the Highlands. But Scottish local authorities, by the bringing of their rateable values into parallel with those in England and by the application of a single formula, would get a greater share of the subventions from the National Exchequer and this at the expense of England. It is astonishing that some Scottish councillors are crying hurrah on that account. A great reform indeed!

In a quick glance at alternative sources of revenue, the Sorn Committee show favour to a local income tax and to the "attractive idea" of a poll tax as means of roping in those numerous persons including lodgers and wage-earners living in family who as it is put "incur no direct liability to rates at all." The only objection the Committee offer to such taxes is the "formidable and insuperable practical difficulty" of applying them, and on that ground their adoption could not be recommended.

The Rating of Land Values is dismissed in a sentence. The alleged conclusions of the Simes Committee (1952) which enquired into Site Value Rating are quoted and accepted, to the effect that a rate levied upon a separate assessment of site values is "neither practicable nor desirable." Lord Sorn and his estimable colleagues should not have allowed themselves to be misled or to mislead others by what amounts to controversial trickery. The citation is garbled and by that it is in fact dishonest. The Simes Committee did not say what is here attributed to them. The rate levied on site values was said to be neither practicable nor desirable "having regard to the *Town and Country Planning Act and other relevant factors*," a most important and vital qualification. This was the view of the majority of six members, the minority of three contending and going far to demonstrate that site value rating was both practicable and desirable despite the provisions of that Act. Whether the majority's opinion was tenable or not is now no matter, for the conditions no longer hold good. The Simes Committee also had their hands tied; they were bidden to assume that the obstructive and indefensible development charge of the Planning Act

was inviolable and their judgment of the case for site value rating was thus warped if not foredoomed. But since then the development charge has been abolished and the Sorn Committee must be held culpable for having ignored the implication of that significant fact. The majority report of the Simes Committee should be pitchforked on the limbo where confuted and invalid documents belong. The minority report takes its place to establish the wisdom, the practicability and the justice of the Rating of Land Values.

The application of that principle and policy is this: assess only the value of land; it is the natural and proper source of public revenue since, being created solely through the presence and activities of the people as a whole, it belongs rightfully to them; blot out from all assessment rolls every house or other building or improvement, for that is the "abolition" that should take place; levy the taxation on the value of land and provide that it be payable by those interested in the land value irrespective of the use to which the land is at present being put or whether it is used or not. We can hardly state it in fewer words, but of this we feel sure and without argument, that anyone who studies, carefully and shreds of all prejudice, such attempts as Lord Sorn's Committee have made to defend the existing system will competently provide his own exposure of them. More often than not the "devil's advocate" gives the game away.

A. W. M.

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