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## REPORTS OF THE ENQUIRY COMMITTEE

Four and a half years after their appointment, in November, 1947, the Departmental Committee on Site Value Rating have produced their Reports. The terms of reference on which they proceeded with their enquiry were: "To consider and report on the practicability and desirability of meeting local expenditure by a rate levied upon a separate assessment of site values, having regard to the provisions of the Town and Country Planning Acts and other factors."

The Committee were divided in their findings. Six members comprising the Majority came to the conclusion that "the meeting of any part of local expenditure by an additional rate on site values, having regard to the Town and Country Planning Act and other factors, is neither practicable nor desirable". Three members submitted a Minority Report which declared their conclusion to be that "the rating of site values is both practicable and desirable", that "the arguments in favour of it stand unimpaired," adding that the Town and Country Planning Act, 1947, so bore upon the matter that some changes would be involved in the method of application, not however affecting the principle.

The scope of the inquiry was limited by the injunction laid upon the Committee that no suggestion for altering the provisions of the Town and Country Planning Act was permissible. They had to take the Act for granted. They had to ascertain whether and what form of site value rating could be fitted into the complicated set-up of a planned use of land, with its State monopoly of the right to develop, its prevention of development that has not official sanction, its development charges, its compensation to landowners for being deprived of the speculative value of their land, and its land purchase schemes. As well might a Committee have been appointed to recommend what could be done to alter the conditions under which land is held, on the strict understanding that the present laws affecting the tenure of land must remain as they are. The members of this Enquiry Committee were similarly shackled. Nor did the strait-jacket incommode the Majority; rather it gave them comfort. Time and again when the force of their own argument was driving them to admit the merits of site value rating they found it could not apply "because by our terms of reference we are bound to conduct our

enquiry with regard to the Town and Country Planning Act." That ended the discussion. By the same token, neither the approaches that had heretofore been made in the land value legislation presented to Parliament, nor any of the examples of the policy in operation in numerous countries were helpful to them.

In passing it should be said that the two chapters in the Report dealing with the British background and the operation of the policy abroad are excellently done, providing comprehensive and exact information that deserves grateful recognition. Yet this valuable testimony is rejected by the Majority who, under the cloud of the Town and Country Planning Act, satisfy themselves with this remark "in so far as we have been impressed by the historical case for the rating of site values we are nevertheless of opinion that this historical case and the evidence from overseas is not relevant to the conditions in Great Britain today".

The enquiry was further limited in scope by an arbitrary decision of the Committee themselves. They were asked to consider whether part of the expenditures of Local Authorities could or should be met by means of a site value rate. The reference was quite clearly to the total expenditures, obtainable as they are not only from the rates locally levied but also from the subventions paid to the Local Authorities out of the National Exchequer. The latter source of revenue has no less association with the rating of site values than the former, but neither in the Majority nor in the Minority Report is that particular aspect of the subject touched upon. It was surely without warrant that the Majority say in their Report (para. 123) "our terms of reference, of course, do not envisage any increase in the total to be raised in rates, since the site value rate is to be an additional rate in substitution for part of the present general rates"; and again (para. 212) "We have interpreted our terms of reference as requiring us to consider a site value rate which would not in itself meet an increase in the total sum to be raised in rates." Thus questions of vital consequence were left unexamined.

Consider: The net expenditure of the Local Authorities in England and Wales in the latest available year of account, amounted to £712,108,000. To that amount the rates locally levied contributed £294,340,000 and the Treasury, out of direct and indirect taxation in

the main repressive of trade and industry, contributed £293,925,000. The balance was made up from various income sources. Those subventions to Local Authorities out of Parliamentary taxation have been in continuous increase, and it is being more and more recognised that they are undermining Local Government itself which is the very keystone of British democracy as we know it. But more than that, there is the undoubted economic effect that the grants-in-aid ultimately go to rest in the pockets of those who have the power and the privilege of charging rent for the use of land. The swindle of this great tax shift is written large over the financial history of Great Britain ever since the derating Act for relieving agricultural land from local taxation was passed. Step by step during the past fifty years or more this iniquity has been carried to its consummation in an almost complete breakdown of local finances. Local Authorities, fearful of increasing the local rates which as now levied penalise all improvements, have to stand like beggars at the doorsteps of the Treasury, pleading the assistance that the Treasury itself can now only tardily give. On the other hand the property market flourishes. Pressure for house room and commercial premises sends rents to forbidding levels and the impact of the Town and Country Planning Act with its development charge lends no surcease, but the contrary. The price of agricultural land has become a standing barrier to the "small" or any man who would hope to take up farming and make a reasonably good and unbonded living thereby. These circumstances powerfully reinforce the case for both the rating and the taxation of land values.

Reading the Majority Report and watching its tenor throughout one cannot escape the impression that if there had been no Town and Country Planning Act to disturb the atmosphere they would have made equally good use of their many fallacious arguments.

It is alleged for example that the experience of other countries shows it is difficult to eliminate all improvements in the assessment of land values, and out of these allegations come the contention and the soft impeachment that the taxation or rating of land values cannot achieve its desired purpose of obtaining revenue purely from the economic rent of land. The implication seems to be that because the separate valuation cannot attain absolute perfection, we should stand by the old system which attempts no distinctions and deliberately taxes all improvements, the while that it exempts the value of land that is unused or under-used. The Committee confuse themselves by citing self-invented circumstances in which they think that a rate levied on land owners can be recouped from tenants in increased rents; but when they are discussing an actual rate or tax levied on the value of all land whether used or not, they are perfectly clear that the incidence "remains on the landlord," and the illustration that was chosen "does not impugn the correctness of the classical argument" in the circumstances where *that* argument applies. They offer the objection to a site value rate on agricultural land, that instead of stimulating production it would probably raise the price of food; and they go on to utter the astonishing remark that if it is desired to make agricultural interests contribute further to local expenditure, that could be achieved by reimposing some percentage of the normal rate on agricultural

land. All pretexts now vanish. The Committee would rather see the rates levied again on buildings and improvements, on cultivations and production, the heaviest burden on the best used land—than a revenue-yielding site value rate, hitting no one's industry. It is one thing to let it appear that the economic rent of land must be safeguarded as landlord property, but to pose as friends of the farmers and consumers is quite another.

We cannot exhaust the argumentation in this prolix report but we make the following further notes to indicate the mentality beneath the covering of that Town and Country Planning Act and the "other factors", whatever they may be. A demonstration is made with imaginative figures for what is called a "notional town" where the whole of the rate revenue is supposed to be obtained by a site value rate of *sixty shillings in the pound of the annual value!* This of course is quite nonsensical. There are tabular statements of two counties classifying the various kinds of properties into groups and intended to show how each group, domestic, commercial, industrial and so on would be affected by placing the rates on site values only. The figures are guesswork and impossible of scrutiny and the demonstration is invalid because one whole class of property, namely the agricultural land which would have to come under assessment for the site value rate, is left out of the picture.

Finally, to reveal the basic attitude of the Majority which makes their other gestures (as for example their theoretically possible site value rate) so much play-acting, we quote the significant assertions which lie at the heart of the subject. They occur in the chapter on Scotland but the same reflections apply to ground rents in England and Wales: "Feu duties and ground annuals have come to be accepted as secure investments . . . and are frequently bought and sold in the market . . . anyone who had bought feu duties at full market value before the site value rate was imposed would be seriously prejudiced"; and there is no justification for so treating this "type of investment." The murder is out. One individual has bought from another the privilege of enjoying wealth which is produced by others and is depriving them of it, and this investment is no less inviolate than any other. The public's title to the economic rent of land is made forfeit because private interests have entrenched themselves in this "form of property." And from behind that bastion there came the "witnesses from professional or property-owning associations" to impress the Committee with their contention that a site value rate must not be exacted from those recipients of land rent.

Nevertheless the Majority put forward a proposal which is as near as they think they can get to the possibility of a site value rate, considering all the implications of the Town and Country Planning Act. Their painstaking analysis of those provisions causes them to reject as basis for a site value rate not only the "unrestricted" value (which land would have if the Act had not been passed) but also the "restricted" value which is all that land owners are said to own now that the State has expropriated the "development" value of land. These terms are so full of technicalities and qualifications that we dare not trouble our readers with more than a general

reference to them. What should, however, be understood is that when land is spoken of as being "unrestricted" or "restricted" as to its use, this means *land with all the buildings and improvements that happen to be upon it*. Consequently, for any site value rate to be leviable, it would be necessary to ascertain the *site value* of land so conditioned as to its use; and that is a valuer's problem.

What the Majority throw out as a gesture, themselves indicating that it could be of little purpose, is a "site value rate" based on what they call the "existing use value in its literal meaning"; and *literally* that is simply the present rateable value of properties (in their existing condition) which would have to be dissected so as to estimate how much is rent for land and how much is rent for building. Considering the nature of the existing rateable value assessment, that it puts a high assessment on land which is well developed, a low assessment on land poorly developed, and exempts altogether vacant land and agricultural land however valuable, it needs no exposition to show how preposterous the plan is. *Irrespective of the real value of any land*, this rate called a "site-value" rate would be determined as to its amount by the actual use or non-use of the land; it would take most where land is best used, little where buildings are antiquated or dilapidated, and *nothing* where the site is vacant, and agricultural land would be entirely exempt as heretofore. And it is not necessary to point out how fantastic it would be to attempt to ascertain the annual site value of a piece of land on the assumption that nothing else can stand on the land than the structure already there, be it any kind of shanty. But having made this gesture, having said that this is the only kind of "site value" rate that can be contemplated in the circumstances, the Majority take up 36 pages of their Report with discussion of problems of valuation, yield of revenue, incidence, etc., applying only to the travesty they have formulated.

The Minority in their report make an independent examination of the problem that was set and they arrive at a solution whereby, in their opinion, a form of site value rating could be fitted into the framework of the Town and Country Planning Act. The Report at the same time provides an instructive restatement of the broad principles of the land value policy for relieving houses and other buildings and improvements from the burden of local taxation and levying rates on land values. Full advantage was taken of the opportunity, by answering the objections and misapprehensions of the Majority, to deal with a number of questions such as the incidence of a site value rate, who is to pay? whether the rate can be "passed on", the liability of the rent receiver, the question of existing contracts between landlord and tenant, the application to agricultural land, to ground rents and to the feuing system in Scotland; and so on. This general discussion lends much value to the Minority's Report but the question was what could be done in the present special circumstances to implement the land value policy?

To understand the Minority's proposal, it is necessary to have at least a rough idea of what the Planning Act has done to put formidable obstacles in the way. The freedom of the private individual to build upon or otherwise develop land has been drastically

curtailed. The right to develop beyond certain definite limits has been vested in the State against a price of £300m of public money payable to landowners; and the State, now owning the development value of land, exacts a development charge for permission to make any but minor developments. The landowner is left with his land, restricted in its use and he cannot traffic in more than its "restricted value". The only site value rate that could be imposed on him is a rate on the site value of that restricted use and there would have to be a special assessment in every individual case. Obviously such a site value would vary with the use to which the land is being put. So much for the landowner. It will be seen that the rest of the actual land value is in the hands of the Crown and the proposition is that a valuation be made also of the *unrestricted* site value of all land; that is the value it would have on the supposition that the Town and Country Planning Act did not operate. The difference between the unrestricted and the restricted site value being in the hands of the Crown, the Crown would be made responsible for paying the site value rate on the amount of that difference. Thus in theory at any rate the principle of site value rating would be applied, but in practice one can foresee the many difficulties that would have to be met. The plan is ingenious but the idea that it could work side by side with the development charge which the Planning Act imposes when developments or changes of use do take place, is not easy to accept. Besides, there are many other conditions in the Planning Act which it would have to contend with.

The whole matter resolves itself simply into the proof that the financial provisions of the Town and Country Planning Act, and all provisions that bear upon them, should be repealed. Right from the beginning, we have protested against that Act for all that it does to hold up or even prevent development. Its disastrous operation is recognised so universally that it surely cannot abide for very long. Nor can the thought be entertained that the country is condemned to suffer indefinitely the present system of taxation with its injustices and penal effects which the Town and Country Planning Act not merely confirms but also aggravates.

A.W.M.

The Committee was appointed in November, 1947, by Mr. Aneurin Bevan, then Minister of Health, and Mr. A. Woodburn, then Secretary of State for Scotland. The Members appointed were: Mr. ERSKINE SIMES, Q.C., the Recorder of Banbury; Sir WILLIAM DARLING, Conservative M.P.; Mr. J. D. TRUSTRAM EVE, past President of the Rating Surveyors' Association; Mrs. URSULA K. HICKS, author of several works on rating and taxation; Mr. C. H. LOCKHART, Stirling County Assessor; Mr. JAMES McBOYLE, Midlothian County Clerk; Councillor T. A. O'HARE, Glasgow City Council; Mr. R. R. STOKES, Labour M.P.; Mr. C. H. WALKER, Valuer to the London County Council; and Mr. T. WATERHOUSE, President of the Welsh Textile Manufacturers' Association and a leading member of the Liberal Party in Wales. In February, 1948, Mr. O'Hare resigned on account of ill-health and was replaced by CITY COUNCILLOR (NOW LORD) GREENHILL. In March, 1950, Mr. Stokes resigned on becoming a Minister of State and was replaced by the Labour Peer, LORD DOUGLAS OF BARLOCH. In February, 1949, Mr. Lockhart died and the vacancy was not filled.

The Majority Report was signed by Mr. Simes, Sir W. Darling, Mr. Trustram Eve, Lord Greenhill, Mrs. Hicks and Mr. McBoyle. The Minority Report was signed by Lord Douglas of Barloch, Mr. Walker and Mr. Waterhouse.