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## Town Planning—Fulfilment or Frustration?

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IN THE COURSE of the past forty years the British Parliament has adopted much legislation with the object of controlling urban development and growth. A further chapter has been added by the comprehensive and all-embracing Town and Country Planning Act, 1947 (10 & 11 Gep. 6, Ch. 51) which at the same time consolidates a whole code of laws. The numerous Acts passed in the previous years, the one repealing or amending the other, had successively extended the scope of the planning orders, requiring the preparation of ever new blueprints which made idealistic pictures of things as they should be. But none could remove the shadow of high-priced land which overlay all; and the troublesome problem of "compensation and betterment," which the plans themselves presented by condemning certain areas to certain uses whereby some owners would be damaged and others benefited, was never solved.

These Town Plans, elaborated at the cost of so much time and trouble, litter the desks and fill the pigeon holes of ministerial and municipal departments, but no *Planned Town* has ever materialised. The plans did not or could not take practical shape and the officially-given reason was that there was not sufficient compulsion behind them; moreover, the land question which was so refractory would have to be tackled on much bolder lines. The result is this new Act which creates new planning authorities headed by a Central Land Board armed with extraordinarily drastic powers, and which compromises with the landed interests by placing vast sums of public money at their disposal.

The Act is a massive document of 120 Sections, sub-divided into 405 sub-Sections, supplemented by 11 Schedules and is to be followed by hosts of the necessary operative rules, regulations and orders issued by dictate of the responsible Minister. It will be sufficient to examine and judge the main provisions, but first of all consideration should be given to certain essential matters which all this legislation has completely ignored.

When the earliest of those Acts was in passage, the Housing and Town Planning Act, 1909, Prime Minister Asquith, whose Liberal administration was responsible for it, said at Birmingham on June 19, 1908: "I agree with those who think that the necessary accompaniment is a complete reconstruction of our valuation and rating system." How long ago, and even now that system is unreformed. Nay, it has been rendered still more hurtful and inequitable by intervening legislation favouring special interests, notably by the Churchill 1929 "Derating Act" which exempted all agricultural land, no matter how valuable, from local taxation, and gave three-quarter relief to manufacturing establishments. I will digress too much if I dwell on the social effects on that measure; any



economic student will be able to give instruction in what happens when tax burdens are taken off land.

Here some explanation of the British rating (*i.e.* local taxation) system may be helpful, seeing that it has such an intimate connection with the problems which the Planners seek to solve by their arbitrary enforcements. Noting that national taxation of real property (*via* income tax and death duties) has much the same incidence, apart from the question of who pays, let us look at our "rates" as we call them—namely the taxes which are levied and collected by the local authorities.

In our assessments of the "rateable value," we take as the basis or standard the rent being paid for the property, land and buildings lumped together, or the rent which it would command if let year by year in its existing state.

The Town and Country Planning Bill, instituted by the British Labor Government a year ago, contained the proposal that £300,000,000 of public money should be paid to owners whose land had a speculative value for building purposes. This was hailed in some circles, erroneously of course, as stemming from Henry George. By decree of this bill no one could build on any land or materially change its use by structural alterations or otherwise, unless he had the sanction of official authority. "It is hardly necessary to observe," wrote Mr. Madsen at that time, "that this measure is not only a travesty upon the principles of land value taxation but is in direct conflict with them." In this issue the *Land & Liberty* Editor sets forth for American readers a brief history of this much discussed legislation.

These twin conditions cause all vacant land, however valuable, to be quit of both assessment and tax. On the other hand, the better the improvement, the higher is the tax. The rates being payable by the occupier, the local authority loses that revenue as long as the premises are empty—except that in Scotland some part of the rates fall upon owners (of buildings) so that "empties" in that country are not entirely exempt. As already indicated, all land used for agricultural purposes (think of its high building value in or near towns) is specifically excluded from assessment, and over the whole countryside not a penny in rates is paid in respect of it. No wonder that rural districts, robbed of their land revenues, are forced to go in procession like beggars to the Treasury seeking grants-in-aid. In cities as in villages the burden of local taxation on houses and other buildings becomes intolerable. Time and again the system breaks down to be patched with the dodge of Treasury subventions to the local authorities. More burdens are thrown on the over-burdened taxpayer to ease the load on the distressed ratepayer, but the economist knows into what pool that money filters, swelling the monopoly price of the tax-exempt land.

Such then is our rating system; a potent cause of congestion and restriction; of the narrow street and lack of open spaces; of high rents and bad housing conditions; of the stopped production with limited opportunity and poverty in its train. Taxation as it is now levied penalises all building and improvement, but the evil of land speculation is given shelter and endowment.

Surely, if there were sense and sensibility or honesty among the Planners, who now have so much influence over parties and governments, their first task would be to sweep the board clean of these fiscal and monopolistic obstructions and give release to the now imprisoned forces which could so wonderfully and spontaneously mould the world to heart's desire. Were that done, we could sit back awhile and decide what room there is for the conceit and impertinence of those who would plan our destinies for our own good. But the Town Planners (I have the British fraternity in mind) will have none of the idea that bad taxation or an unjust land tenure has brought about the very conditions they would remedy. In that respect they are in the landlord's camp. They allege that the trouble is wholly due to faulty planning and the unfortunate accident that these Supreme Minds were not available sixty or a hundred years ago to ordain how cities should grow and to arm authority with power to say when and where one brick should be placed on top of another.

The Planners now have their chance in Minister Silkin's Town and Country Planning Act,

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## Town Planning

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1947, to show how their scheme of things is to work. It is a fatal road. In Land & Liberty I took leave to call that Act the Labour Government's Worst Exploit. The whole country is placed under a ban against building developments, minor alterations excepted, and against changes in the use of promises, which have not official sanction. The Act invents what is called the "development value" of land, being the difference between what a piece of land is worth if permission to build, or to change its use, is granted, and what that land is worth if it is restricted or condemned to its present use. By virtue of this overall restriction, the "development value" becomes an interest in land belonging to the State. The landowner's equity will in future be no more than the "restricted value" of his property.

Building development will be subject not only to the trouble and delay of obtaining permission from the planning authorities, which under the Act have three years to get their plans in shape, but also to the exactions of a "development charge" by the Central Land Board, newly constituted for that and other purposes. While the Board is supposed to "have regard to" the development value when imposing its charge, it has absolute discretion in determining what the charge will be. There is no appeal against its decision. The charge may be put so high as to prevent development which the Board considers to be undesirable or in the wrong place; or the charge may be lowered to a favoured enterprise which in effect makes it a present of part, or may be the whole, of the "development value" and so provide a subsidy. It will be a subsidy, since this new monopolist agency, the Central Land Board, does not become possessed of the "development value" without very considerable cost to the State and the squandering of public revenues.

The legislators sweep the dirt under the carpet and freely open the house for raiders to enter. This brings me to the chief enormity in the Act. This so-called "development value," what is it but a value in land which the community creates and to which the landowners have no title whatever? Yet the Government, the Labour Government, proposes to pay the landowners as "hardship compensation" the sum of no less than 300 million pounds for taking the speculative value of land from them—a sum which is to be apportioned among them according to rules and regulations yet to be promulgated.

In what was said about the present rating system we have seen that our cities and towns are surrounded by a veritable iron curtain of land monopoly where land, entirely exempt from taxation, can only be procured at ransom prices. For having held it out of use, the speculators are now to be thus rewarded at the public expense and they can begin again with their speculations in the "restricted value" which remains to them. It is true that if they develop the land themselves they will be subject to the "development charge" but for most of them that will be easy bookkeeping, the State having richly provided them with the means to pay the charge. Minister Silkin has already undertaken that preference will be given to the owners of "near ripe" land in the apportionment of the 300 million fund and not a penny

of the "development charge" will reach the public treasury as net revenue, until the amount of charges collected exceeds the sum being paid out in the way of landlord compensation.

The complications and qualifications in the Act are too many to treat of in one writing. An example is that owners of "dead ripe" land—the kind of land that is at the top notch of speculative withholding—are ruled out of the provisions in the Act. No "development charge" will be levied on them when they develop. Their private appropriation of land values is untouched and *pari passu* they of course do not share any part of the 300 million compensation fund. They are compensated by exemption from the charge. Again, wherever there is an increase in rents and land values *without* any development or change in use taking place, the Act deliberately allows the owners to pocket that increase. The fact that the Act puts so many barriers in the way of new building development is now causing an exceptional demand for accommodations in old buildings, to crowd them, to prolong their life, and gloriously to enrich the proprietors of them.

Furthermore, wherever development does take place, the existing rating system unreformed comes into play to inflict heavy taxes on all improvements that are made. Take the case of the genuine developer who is acquiring land for building purposes; how will he be placed? He has to bargain the price of the "restricted land," get permission to develop it, stand the racket of the "development" charge and he is left in the same position as he ever was, victimised both by dear land and repressive taxation. The final condemnation of the Act is given in the words of the Lord Chancellor in the debate in the House of Lords who frankly stated that *"the object of the bill is not really that the purchaser should get the land any cheaper."*

The land is not to be rendered any cheaper. On the contrary. Besides the 300 million that is to go to the landowners in compensation, the Act provides for immense sums by way of public land purchase, which may run to 1,000 millions or more. One of its provisions ensures that agricultural land, when required for public purposes, is to be bought at the "current market value," namely the value that has been boosted not only through the "Derating Act" I have earlier mentioned, but also by all that this and previous Governments have done by way of financial aid to farmers, which simply raises rents still higher.

Under parallel legislation "New Towns" are projected on the same basis of land purchase, each town of 50,000 inhabitants being reckoned to cost 19 million pounds (of public money) to create. They are merely samples of a State-conducted land spec-

ulation with its enormous risks, and they will also foster land speculation all along the line, since there are no provisions for periodically assessing the land values for contribution to public revenues. Inhabitants of the new towns will come under the whip and penalties of the rating system as everywhere else, while that system lasts. Virtual "labour compounds" will be established since it is implicit that no one shall reside there who has not employment on the spot.

Some people have pointed to our existing "garden cities" of Letchworth and Welwyn as models. But these cities do not fall into this picture. They were established by private capital. Although little exception can be taken to the design and plan of them, it would be a grave mistake to assume that they in any way approach the practice of sound and just land tenure. Within them also, the present rating system operates to penalise all buildings and improvements, permitting land values to pass into private pockets, and exempting valuable vacant land from any contribution.

In conclusion I hope I have made clear the fantastic nature of the suggestion that the Town and Country Planning Act respects the principles of Land Value Taxation. That preposterous claim was made (in self-defence?) by its sponsors. The pretension was well publicised, and it was amusing to notice its echo in some important American newspapers, notably the Christian Science Monitor, which querulously asked if the British Labour Government had indeed been captured for Henry George! If only it had!

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By LAWSON PURDY