

## THE HIDDEN FACTOR IN INDUSTRY

(Address by Rotarian J. A. Marshall at the London Rotary Club, 2nd February, from report in the "London Rotarian," 19th February)

It is with a feeling of great responsibility that I speak to you, first because of the importance of my subject, and secondly because of the importance of my audience. When I say "the hidden factor in industry" I do not mean by industry merely Industry with a capital I but all the activities which go to provide material and spiritual needs for any community. From an artisan to an Archbishop, from a plumber to a Prime Minister, all are engaged in industry. You will say that the hidden factor is not hidden at all; it is land, and as an economic consequence, economic rent. Everybody knows that land is necessary for private enterprise; everything we do and work with comes from the land. Do people remember this? It is said that sometimes "the wood cannot be seen for the trees." We might add: the land cannot be seen for the pavements.

Economic rent is that rent which will be paid for any land above a margin of cultivation. It is not confined to agricultural land—land may have a margin of cultivation for cabbages or cathedrals. It arises entirely from the needs and activities of the population: the owner of the land has nothing to do with the value of the land. Mr. Winston Churchill once said that the land differs from all other forms of property in several primary and fundamental aspects; it is fixed in a geographical position, it is limited in extent, absolutely necessary for everyone, and many conditions attached to land give to the possessor, whether he likes it or not, undoubted power to absorb to himself a share, and sometimes a very large share, of the general enrichment, which is created generally by the community as a whole.

My contention is that rent belonging to the public, should go to the public. If you create and buy something for yourself, naturally you consider it your own property. I maintain that anything created by the community as a whole should go to the community, and not to a private group. One method is known as Taxation of Land Values. I shall not speak in general on that method as you can get information from literature and speeches. Read *Progress and Poverty*, by Henry George; it is very well written, and gives the arguments succinctly and clearly.

There is a great deal of difference between investing in land and in private enterprise in business. If you set up a business to produce something which gives employment and gives the public something which it needs, the interest comes out of profits derived from legitimate enterprise; but if you invest money in land, you are doing something very different, you are investing with the possibility of enjoying economic rent. That means that your interest on investment is going to come, not from increasing the wealth of the country, but merely consuming it. If you invest in land which is not

used, and you hold it until you get what you consider a sufficient return, then you are increasing unemployment and a wrong is done.

Now I come to the question of Rating. First a word as to de-rating: agricultural land and some business premises are de-rated to 75 per cent., the object being to give the benefit to farmers and business men; but in the long run the only result is to give a certain sum to the owner of the land. If land has tithe rates attached to it, and the Occupier has to pay them, the charged land will let or sell for less than if it is free of such an encumbrance. If, on the other hand, land has assets, in the sense of de-rating, it will let or sell for more than if it had no assets. In the long run, therefore, the benefit goes to the owner.

As you are aware, our English rating system is based on the rent any property will fetch as a whole from year to year, the rates being paid by the occupier. When property is empty and not used, or only partially used, there are no rates at all, or the rates bear no comparison to what they would have been if the land had been in use. That means to say that where land is vacant, no rates are paid, and thus the owner can afford to hold on as long as he likes, until he gets his profit, and the fact that he is paying nothing makes the burden fall on the surrounding area and the other ratepayers.

That state of affairs is not helpful to private enterprise, for where the land is not used, capital cannot be employed, and unemployment ensues. I know of a place in Kingston which has been empty for thirty years. Such land remains undeveloped, and if it were rated at its true value it would be able to support more industry and give employment. So the rating system acts in two ways: it tends to keep land out of use, and so produces unemployment, and it gives an opportunity for speculative value on land to rise. This would not happen if people had paid rates for the land being held idle.

I propose that for the benefit of business, land should be rated, whether used or not. There would be this advantage, namely, that more land would be brought into use. Building should be exempted. People would be able to build more freely if they knew that they had not the burden of rates to consider. Now if a man wants to build a house he has got to consider not merely the cost of the house, but the price of the land, and what rates he will have to pay. He may in consequence have to make the house smaller, put in fewer bay windows, and so on, and the building may not suit his requirements in the same way as it might have done otherwise.

As a business proposition I put it to you that the rating of land values is something to be supported by every business-man. Two hundred and thirty-four Councils and public bodies have

asked Parliament for the rating of land values. The rating of land values obtains in New Zealand and in Denmark and other places. Taxation of land values is not a party matter. There are those who seek the nationalisation of the land, but I maintain that that does not meet the situation at all. Surely local people know the needs of their own locality better, and can use the land to the best advantage, rather than a central body in Whitehall. Taxation of land values meets the matter very well.

I have already quoted from Winston Churchill, and you must have gathered that he is in favour of this method. On 28th January, 1917, he replied to a question in the following way: "I have made speeches to you by the yard on Taxation of Land Values, and you know what a strong supporter I have been of that policy."

We are now asking for more education, more schools, more playing grounds, and we want more houses. All these things are going to need the use of land and things that the land produces, but while the economic rent goes into private hands we shall be frustrated. That will happen again and again so long as that which is created by the community does not go to the community.

Moving the vote of thanks Rotarian SYDNEY PASCALL said land could not be mass-produced or increased in quantity, and it was therefore vital to our growing community. As a democratic people they had to decide in what way they wished Parliament to deal with that question, and he trusted that the remedy Rotarian Marshall had proposed would have their serious study.

## ORANGE FREE STATE

### Bloemfontein Adopts Land Value Rating

It is reported in the *Free People* (Johannesburg), January issue, that the Bloemfontein Town Council has resolved that as from 1st April, 1945, it will exempt all improvements from rates and levy all its rates on the site value of land. "The fine work of our colleague Adv. Streeten," says the *Free People*, "did much to bring about this result. We welcome this recognition by another of our large towns of the iniquity and stupidity of punishing and hampering industry by rating buildings and other improvements."

Under the Orange Free State Ordinance No. 11 of 1925, six towns in that State had already taken advantage of the powers given to reduce the rates on buildings by increasing the rate on land values; viz., Kroonstad, Bothaville, Clarens, Voljōenskroon, Vrede and Petrus. In the Orange Free State valuations are made every third year and, as is generally the case throughout South Africa, they have for many years shown in separate columns the total value and the land value of each property, as a matter of valuation practice and before any separate taxation of land values was instituted.