

ratio of the new to the old assessment. Suppose, for example, that 5 per cent of the aggregate value of the land of Manchester is actually £7,000,000, then the new aggregate assessment will be £12,000,000. The ratio will then be as 12 to 5, and the new rate in the £ will be five-twelfths of 16s. or 6s. 8d. in the £, and all the instances fall to be worked out on that basis. If, on the other hand, 5 per cent. of the aggregate value is £4,000,000 the new aggregate assessment will be £9,000,000. The ratio will be as 9 to 5, and the new rate in the £ will be 8s 10½d. in the £; and so on.

Examination of the Table will show that the greatest relief is given wherever rateable value includes the greatest amount of improvement value. The proposal goes half-way toward the ultimate ideal of exempting improvements entirely. In so far as improvements are taxed, the revenue derived by such taxation goes towards the relief of land value wherever, in the Table, the ratio of the new to the old assessment exceeds 10 to 5.

If rateable value were removed from the assessment it is apparent that (the revenue required being the same) the rate in the £ would increase and it would fall entirely on the value of land. How would the various properties then be affected?

Where the ratio, in the table, is less than 10 to 5, the amount of the rates payable would decrease although that part of the amount which may be calculated to fall on the land value part of the subject would remain the same. The whole relief would go to improvements. Strangely enough, the land value, although rated only "once" would pay no less than it was paying under the so-called or suggested "double taxation."

Wherever the ratio, in the Table, is more than 10 to 5 the rate payment (after removing "rateable value" from the assessment) would increase and the increase would fall entirely on the value of land. Strangely enough again, the alleged "double taxation" of land value in the proposal as stated would take a smaller amount from land value than if land value were taxed only "once."

In conclusion, reference may be made to the suggestions in the proposed Bill for payment of the rates in the new circumstances. In cases 1 to 4, even if the occupier continued to be liable for rates, he would have less to pay. In cases 5 to 8 the rate payment would be greater than the occupier would have paid if conditions had remained unchanged. It is proposed that the occupier in these cases should, as occupier, be liable for no more than the old system would have required him to pay, and that the excess be chargeable to the owner of the fee-simple either in a separate demand note or by process of deduction from rent or other means of recovery exercised by the occupier. In any event, arrangements would be made giving the owner of the fee simple power on his part to recover from other persons holding beneath or from him *e.g.*, lessees and/or sub-lessees for a term of years) a due share of the excess in proportion to their interests, if any, in the value attaching to the land.

Receipt of a free copy of

"LAND & LIBERTY"

is an invitation to become a subscriber

PRICE INCREASED NEXT MONTH TO 3d. MONTHLY.

By Post 4s. per Annum.

A LETTER FROM HUNGARY

The Valuation and Taxation of Land Value in Budapest

Land Valuation Office,
City Hall, Budapest.
27th October, 1920.

DEAR SIR,—Your issue of August, 1920, reports that your Chancellor of the Exchequer, Mr. Chamberlain, referred to site values as "abstractions that never pass, which are never for sale and are never bid for by a purchaser." If this should be or could be misunderstood to be a repetition of the well-known, but nevertheless false argument against land value taxes, that the value of the land cannot be separated from the value of the improvements thereon, I venture (Sydney, New York, Vancouver, etc., being too distant) to invite Mr. Chamberlain or anyone else anxious to inform himself, and to settle his doubts about this question, to pay a visit to the Site Valuation Office of the far less remote city of Budapest in the middle of Europe (1,000,000 inhabitants) and to convince himself that it is not a mere "theory," but the most practical fact that the value of the sites and that of the improvements are everywhere separated in this city, one from the other, by practical valuation. Intrusted with the official valuation of the 38,000 plots of Budapest, by way of rating them in execution of our statute concerning site-value rates valid from the year 1919 (the rate is one-half per cent. per annum on the market value, sites possessed by the city or by the State or devoted to public schools, hospitals, churches, etc., being exempt), I and my office had no difficulties whatever in registering the market value of the sites apart from the improvements. We accomplished our task (deducting the time when every work was suspended during two political revolutions, the Republican and the Bolshevik one) in less than a year.

How easy, how free of doubt, and how satisfactory the valuation of the market value of the sites, apart from the improvements thereon, was is shown by the fact that the number of appeals will not be more than some hundreds out of the 38,000 valuations, a number smaller than ever recorded in connection with valuation for any other rate or tax.

The total value of the sites amounts (value of 1918, the new valuation having to be published and the rates revised in 1921, each valuation being valid for three years) to 3,400,000,000 Kronas for the sites owned by private persons and to 1,800,000,000 Kr. for the sites free of the rate (city, State, etc., sites), which has been, of course, valued too, together to 4,800,000,000 Kr. The market value of the sites has been assessed per square "Klafter" (one square Klafter being equal to 3.6 square meter, and has been taken perceptibly lower than it is now, in our depreciated and fluctuating exchange) but perceptibly higher than it was before the war. The total of the rates amounts to one-half per cent. of the value, *i.e.*, to 17,000,000 Kr. per annum.

Our statute (rating of the market value of the sites) is quite straightforward and comprehensive, as it takes in account no other circumstance whatever than the market value of the site and knows no "gross value," "full value," "assessable value" or other such complexities. The rate is the same (one-half per cent. of the market value) whether the site is "agricultural" or "building site," used or developed or not, whether the value be great or small, whether the owner be rich or poor or living here or abroad, etc. Our task was a very simple and easy one; we secured the peaceful co-operation of the owners, who understood at once that they had only to see whether the market value of their sites (expressed per square unit) is fixed in right relation to that of their neighbours, and to that of the remoter sites.

Perceiving that any favouritism is absolutely and technically excluded by the simplicity and transparency of the system, they helped to carry out the work of the valuation in the smoothest way.

I beg to reproduce here some of the short and typical discussions that we have had with one or other of the owners.

"Why is my site valued 2.400 Kr. per square unit and that of my immediate neighbour 1.800? Isn't it unjust?" asked one of the owners.

"I am quite convinced," was my answer without looking into the rolls and without knowing what site was concerned, "that you know that by heart and better than I know. Wouldn't you help me and tell me, without troubling me to look into the rolls?"

The owner smiled: "Well, mine is a corner-site and my neighbour's is not."

"Well, then, it is indeed not necessary to look into the rolls and maps."

"But this is not all I have to say, for there is another corner in the neighbourhood, which is valued only 2.100 Kr. per square unit. What for?"

"Is it? Then I would be, indeed, very obliged if you could tell me the cause of that, too, yourself."

"You are very astute," says he, "my corner faces three streets while his faces only two. I have been told that you are a very clever and polite man, as I see you are. It is a very solid work you have performed; it is, indeed. But could not you, nevertheless, reduce my valuation to 1.800 Kr. per square unit, too?"

"You see that that is quite impossible, for your neighbour might be quite as clever as you and I are, but perhaps he might be less polite, and if I were to put his value just as high as yours or yours just as low as his, he might call me names and could easily have me dismissed from this office; and he would be clearly right."

The owner retired smiling and pocketed his appeal, which he originally intended to hand in.

Another of the owners, learning that he had to pay a given large sum as site-value rate for the twenty-four sites he had held for the past 20 years, raised a great cry about "robbery and cruelty!" in my office. I quieted him by saying that lamentation would be quite useless and superfluous, but that he might calmly hand in his appeal against the valuation.

"Oh!" said he, quite calm at once, "I have nothing to say against the valuation itself. The valuation itself is quite correct; I must say, it is a quite reasonable one."

"What are your wishes, then? We are only administering the statute and we are administering it quite correctly, as you yourself say."

"Then the statute must be altered or abolished, for if statutes like this are made people must emigrate from this town and country."

"We are not here to judge the justness of the statute, but to administer it. As I am, however, the man who initiated the statute and as I have styled it myself, and as I am quite convinced of its justice, permit me kindly to ask you whether you really mean to say that as this site-value rate makes it difficult for you to hold 24 sites for yourself, that that could cause other people to emigrate who hold no site at all? I think rather that as far as this rate should keep you from holding 24 sites, and their value and the increment of their value for yourself, that just so far it should keep other people from emigrating from this country and town."

"Do you, perhaps, mean to say, Sir, that I shall sell my sites to the Jews?"

"To Jews or not to Jews, you do not need to sell all of your 24 sites. It will do to sell one of them, and out of that selling-price you can pay the site-value rate of the 23 others for a nice number of years. The times are hard enough, Sir, that a sensible man might be content to only hold 23 sites! But that is, of course, only my private opinion. The statute says nothing about selling or not selling; it speaks only about paying or not paying."

The hearers (there were many people in the room, all owners of sites) smiled and nodded contentedly, and my man parted unreconciled; but he did not hand in his appeal.

A third little discourse:

"You valued this site of mine 60 Kr. per square unit," said the owner. "This is a mistake; for I bought it, as I can

prove, in the year of the valuation for 30 Kr. per square unit." "Have you, Sir? Then I have to congratulate you for having purchased so cheaply. You have made, undoubtedly, a very good bargain."

The looks of my owner, which were till that moment very severe, grew by-and-by quite radiant. "Indeed, I bought the neighbouring site three weeks later for 60 Kr. per square unit," boasted he, and drawing himself up emphatically, he added, full of pride and satisfaction, "and that was an uncommonly cheap price, too!"

"So I guessed well?"

"You did, indeed, Sir!"

"What then about your appeal, Sir?"

"I think we can let it alone."

And so he let it, indeed.

There were, I was happy and proud to hear, many owners, who, as they said, declared willingly to pay this rate, it being the first logical, understandable and, in principle as well as in execution and in effect, just one, after all the mentally and morally corrupt and corrupting ones they had experienced. And if the majority of the owners are not of this view, yet none of them really thinks that this rate could ever be shifted; and none of them says that site values cannot be separated from the values of the improvements thereon, or that these values are not always and everywhere separated by sellers and purchasers themselves.

The site-value rate of Budapest is by no means a theory: it is the most substantial fact you ever heard of.

I am, Sir, with the best wishes for the prosperity of your work and with the expression of my deep thanks for the infinite and most valuable information I have got, and am yet always getting, out of your LAND VALUES and LAND & LIBERTY.

Yours very faithfully,

Director of the Site-Valuation Office
of the City of Budapest,

JULIUS J. PIKLER.

[In a covering letter Mr. Pikler informs us that the same site-value rate has been adopted in several large country towns in Hungary; and at his suggestion by Vienna, the Capital of Austria.—EDITOR, LAND & LIBERTY.]

RESOLUTION ADOPTED

At the half-yearly Council Meeting of the Lancashire, Cheshire and District Federation of Leagues of Young Liberals, held at Southport, Saturday, November 6th, the following Resolution was submitted by the Hyde Branch. It was moved by Mr. Chas. Bevan, and seconded by Mr. Tom Whitworth, was discussed at length and carried *nem. con.*—

That this Federation reaffirms its support of the Principles of Economic Freedom, namely:—

1. Free Trade, through the abolition of taxes on imports and other forms of restriction on exchange.
2. Freedom of Production, through the abolition of taxes and rates on production and of other forms of restriction on production.
3. Progressive substitution of taxes on site values; that is, gradual transference of the burden of taxation from industry to monopoly and monopoly values.

WAYS AND MEANS for October 13th contained an informing article on "Land and the Industrial Outlook" from the pen of A. W. Metcalfe, Belfast. In his reference to housing the writer urges that every obstacle to providing homes for the people should be removed and declares that anyone who stands in the way is no friend to his generation.