

Should a government get the greater part or all of its revenue from one source, such as site values, a number of existing government tax assessment and collection departments could be abolished; thus the revenue which would be necessary to maintain beneficial services on the existing scale would be smaller.

For example, in small figures, if the government now gets £100 total revenue from £20 each from five departments, each department costing £5 to maintain, the net revenue is £75 available for beneficial services. Under site value rating, therefore, with only one assessment and collection department costing say £10, the gross revenue need only be £85 to give a net revenue of £75 as before. This aspect of the matter is important, because it frequently happens that opponents of land value taxation, ignoring the economy, assert that the revenue would be insufficient under the 'single tax' to meet current govern-

ment expenditure. They deliberately ignore the saving in the abolition of what would then be unnecessary government departments.

There is also another point. If the whole (or even the bulk) of governmental revenue was derived from land value taxation, there would be considerable saving by government, by employer, and by employee, in paper, time, and filing space, now occupied in completing various returns, reports, and forms, of all sorts, now required by assorted government departments.

The savings in these two directions are, of course, additional to the saving in government expenditure on various items such as subsidized food, grants in aid, etc., etc., which would be unnecessary if the taxpayer and consumer had, as they would have under full land value taxation, a bigger "free income" and a higher standard of living.

## BOOMING LAND VALUES IN THE UNITED STATES

An American Estate Agent writes to Land & Liberty

Upon reading your editorial on "Meeting the Cost of Government" in your December issue I was amazed by the lack of knowledge of current land values shown by MR. COLIN CLARK; and also by your editorial writer.

Mr. Clark's statement that land values are not rising in the United States with the fall in the value of money is so ridiculous as to hardly need answering. As a real estate broker I can assure him that there is not a real estate man in the entire country who will agree with that amazing remark. It is true in New York, and in many other cities, that the *assessments* on land may have decreased but it should be remembered that such assessments usually vary from 1/5th to 1/20th of true value depending on the honesty and efficiency of the assessors, and the political power of the land owner. Although hundreds of thousands of residents of the borough of Manhattan in New York City are moving to Brooklyn (which is also in New York City) thus shifting land values somewhat, the erection of the United Nations buildings alone caused the increase in Manhattan land values of many hundreds of millions of dollars. I do not think that Mr. Clark will find a real estate expert in all New York who will not admit that Manhattan property values have increased in the past ten years. Property tax assessments are a different thing. There has never been an honest assessment in New York City—and some observers doubt that there ever will be.

The statement of Mr. Clark that "As transport improves the cities become more separated out, the relative importance of land values tends to increase," is even more amazing. I live in Los Angeles which is (1) by far the most "separated out" city in the world; (2) the city with the most automobiles in the world; (3) the city in the world most known for decentralization and for the erection of department stores and office buildings in outlying regions. And yet Los Angeles land values are increasing faster and higher than in any other city in the world. This is obvious to even the most casual observers. Downtown property values are at least holding their own, because new millions can be poured downtown faster, while values in the outlying districts are going up by the billion, due to our billion-dollar-freeways.

I wish to quote from a recent speech by HARRISON R. BAKER, member of the California State Highway Commission, before members of the Los Angeles Home Builders

Institute: "As a result of Los Angeles area freeway construction, property values are now measured in minutes, not in miles. Subdividers are keenly aware of the value of rapid transit freeways to their developments . . . The developers of the 3,261 residential subdivisions in the Los Angeles area from 1945 to 1952 have been largely responsible for the fine planning of the freeways . . ."

These freeways are pouring into downtown Los Angeles hundreds of thousands of people who would otherwise work and shop in the outlying parts of the city. Land values have hit such a peak that many experts expect a recession. But any observer claiming that land values have decreased due to the "separating out" would be submitted to a mental examination.

In your article the remark was made that "National expenditures on armaments, for instance, could be doubled without raising our land values one iota." Consider, however, facts such as these:

(1) In Los Angeles area, a new airport was purchased by our air force, whereupon real estate boomed tremendously. As reporter Matt Weinstock of the *Daily News* stated: "As a result the real estate business has burgeoned in Lancaster, 11 miles from Palmdale. One subdivider sold 32 lots in two days. One piece of property was sold again while it was still in escrow on the original sale. And in one week the price tripled on 160 acres of land 11 miles from Lancaster." (This is all semi-desert land.)

(2) In South Carolina politicians snapped up leases on important land sites just one day before the Atomic Energy Commission announced that it would erect a plant near Aiken, South Carolina, thus making millions.

(3) A steel company starts a defence plant in Morristown, Pennsylvania, and we read about this small town: "Desirable land has jumped in price to \$1,500 an acre from \$300 two years ago. The big steel mill corporation had to shell out around \$5 million for its 3,800 acres. Much of the land had grown choice asparagus, broccoli, spinach, cabbage, potatoes and horse radish. The top per acre price was the equivalent of \$70,000 per acre. Big food and department store chains are searching for sites in and around town." (See *Wall Street Journal* of March 1, 1951.)

(4) A statement by a salesman of Paradise Valley, a desert subdivision near Los Angeles: "From my experi-

ence I find that shrewd investors are buying property now in Paradise Valley to ride the boom to profits by way of increased land values. In view of the widespread interest in this community caused by the huge military installation (completion of a marine base) realty holdings have doubled and trebled in value."

(5) Forkland, Missouri—Land prices for an acre of land along U.S. Highway 60 averaged \$100 an acre. Since Government announced a big radar detection plant there, average price of that land is \$1,000 an acre—ten times as much.

(6) *Life* magazine, December 14, 1952, regarding inhabitants of Paducah, Kentucky, on realization that government is erecting  $\frac{1}{2}$  billion dollar atomic energy plant 20 miles away: "They take it calmly on hearing that land once worth \$20 an acre now sells for \$2,000 and think it reasonable to see signs selling 'business frontage' where cows still graze."

### THE LEASEHOLD SYSTEM DEBATED IN PARLIAMENT

In the House of Commons on January 27, Second Reading was given to the Landlord and Tenant Bill for England and Wales\*. Following are extracts from some of the speeches:

MR. DESMOND DONNELLY (Lab., Pembroke): The town of Pembroke Dock is the classic example of the leasehold system in this country. There we have a town which was built around a naval dockyard at the beginning of the 19th century. All the land belonged to one landowner, a man called Brigadier-General Sir Frederick Charlton Meyrick. There we see a landowner using the monopoly he had of the land in the area—poor scrub land—in order to compel the dockyard workers to undertake long building leases which would eventually fall in and, together with the houses which the dockyard workers had built, would revert to the estate company. In that town there are something like 1,730 leasehold houses. In Pembroke Dock itself, 75 per cent of the houses are still leasehold. If we take £3 a year as an average ground rent—and I have deliberately put the figure high—the 1,730 houses would yield a gross income of £5,190. Under the general system which the estate company was pursuing before the introduction of the Bill, and under the general system of re-leasing where the leases have fallen in, the company has been asking an average ground rent, for the renewal of the lease, of £20 a year. Whereas the previous gross income was £5,190 at £3 a year, at a rent of £20 a year, when the leases fall in, the new gross income would be £34,600, which is a very substantial difference. Under the proposals which the Government have brought forward, where landlords will be able to obtain the full rack rent—and I deliberately take a low figure for the rack rent—the average rent per house would be £40 a year—15s. a week. At £40 a year the 1,730 houses would yield a gross income of £69,000. The income would rise from £5,190 to £69,000. Here is one landlord asking for an increase of £64,000 a year. He does not do a stroke of work to earn this. He never built one of those houses or paid for a single brick or a stone or for the mortar which went into them. He toils not, neither does he spin; and yet he is asking and getting an increase of about £1,600 a week in his gross income. This is the full measure of this preposterous proposal which the Government have brought forward.

MR. DAVID GRENFELL (Lab., Gower): I know South Wales, and I think that it is perhaps the best example we have of the problems which we have to solve. Every time we took a step in the direction of providing housing accommodation, there was the landlord obstructing the way, never ceasing to take advantage of the leasehold system. Probably it has grown to a more settled, more tyrannous monopoly over the life of people in Wales than in any other part of the country. I live in a house which I call my own with as much right as anybody calls any-

Back to the decentralization item. I now notice an item showing land prices in the Long Island area of New York have risen to phenomenal high levels due to the exodus from Manhattan. I also see an item of a speech by Neil Petree, now president of the L.A. Chamber of Commerce, and president of Barker Bros. department store before the California Real Estate Association convention, October 19, 1951: "Real estate values in the downtown shopping area have maintained themselves and will continue to do so. Ten years ago department store sales in downtown Los Angeles amounted to \$90 million and last year these same stores sold \$169 million in the downtown area." Mr. Petree said that retail businesses in the downtown area employ more people now than ten years ago and sell more units of merchandise, and added: "The assessed valuation in the downtown area has increased 50 per cent in the last five years."

Sincerely,

GLENDALE, CALIF.

STANLEY SAPIRO.

thing his personal property. I pay £3 2s. 6d. for land which I have seen shown on ancient maps, less than 100 years old, as waste or common land, worth nothing at all. Now, 20 houses are paying about £3 2s. 6d. each on every acre of land, or somewhere about £75 an acre, for land that is worth nothing. By means of this ground rent, a small body of people are commercializing their private fortunes as they never did before. They have joined together to exploit the public more efficiently than at any other time. To everybody who is pledged by his own signature, of his own volition, to pay ground rent, I say that the youngsters who grow up to take the place of the old ones must get emancipation sometime. Why should I surrender my children and their children to the obligation to carry on this payment *ad infinitum*?

MR. ARTHUR SKEFFINGTON (Lab., Hayes and Harlington): There have always seemed to me to be three major grievances arising from the leasehold relationship between freeholder and tenant which I would not have thought a modern democratic community would permit. First of all, there was the virtual handing over to the freeholder not only of the land—one could understand that—but of a house built by somebody else and sometimes by the leaseholder's ancestors. That seems quite unjustifiable, and not all the rhetoric or sophistry that we have heard from the other side can make that right in any circumstances. The whole relationship between the freeholder and his tenant under leasehold law seems to be feudal. I think it springs directly from the old feudal relationship. We are one of the last civilized countries in the world to have it, and I hope that it will soon disappear.

MR. BARNET JANNER (Lab., Leicester N.W.): In Barry the houses more or less surround the dock, and the leases are falling in the same way as at Pembroke Dock. The result will be that practically the whole town will be left with rent-controlled tenancies, at what rent?—at a rental that is a rack rent, and many of the people concerned have thought all along that the houses they occupied were their own homes. I put it to the Minister, because he is a reasonable man: Is it right that if people have spent the whole of their fortunes on building on a piece of land, which was worthless and on which ground rent for 90-odd years has been paid, their successors should, at the end, be told, "You and your predecessors have toiled for the person who had that piece of land which was worthless, and to-day you have to pay him what is practically a rack rent for the rest of your life"? That is not good enough, or the proper thing to do.

*The Long Leases (Scotland) Bill has also been introduced, enabling, in certain cases, occupant leaseholders of houses to become house-owners paying fixed perpetual rents, or "feus" as they are called in Scotland.*

\* For our comments, see page 18.