LAND POLICY DEVELOPMENTS

To the Editor, LAND & LIBERTY

The Declaration issued last month by the National Liberal Federation on the proposals of Mr. Lloyd George's Land Enquiry Committee is a document which will repay careful study by all readers of LAND & LIBERTY. It embodies a statement of those proposals, as modified by the recent conference with the Liberal and Radical Candidates' Association. These modified proposals are a distinct improvement upon the policy advocated in THE LAND AND THE NATION, and it will be useful to take stock of the new position from the point of view of supporters of the Rating and Taxation of Land Values.

Of course, our policy is not adopted in its entirety. That would be too much to expect at the present stage. The mixture of principle and detail, though not so extensive, still continues, so we had better attempt to sift the wheat from the chaff.

The most important—as it is also the most improved—proposal now reads as follows: "All land, *other than agricultural land or land used for public open spaces and other public amenities*, should be assessed for rates upon its site value." If we omit the words I have italicized, this becomes a fair statement of our rating policy. And it is easy to show that the references to public open spaces and amenities are unnecessary, even from the point of view of the Land Enquiry Committee. For land set apart for the use and enjoyment of the public has no market value, and therefore can never be assessed to a rate on land value. Thus the only point of substance between the Committee and ourselves is that of agricultural land.

Now it is quite clear that any attempt to divide land into categories according to the use that is made of it must inevitably fail. Land used for agriculture one year may be covered with houses the next. Indeed, this has frequently happened under the Housing Schemes financed by the taxpayers since the war. Is it seriously intended that occupiers and owners of such land should not know, from one year to another, whether it is to be assessed to rates on site value or rateable value? What would our overworked rating authorities say to this proposal—especially those concerned with rural districts? The rating of agricultural land is becoming a regular Chinese puzzle. Its basis has been altered no less than three times in the course of the last twenty years. And a fourth alteration, bringing in site value as an *additional* basis without any attempt to abolish or modify the other three, would create such confusion that the new authorities set up by the Rating and Valuation Act, 1925, might well be excused if the result were to be a complete muddle.

Such a proposal, as part of a scheme of reform, is most unfortunate. Of all reforms, that of our present rating system must be simple and practical if it is to be effective. Ratepayers must easily comprehend the basis on which, and the methods by which, their rates are assessed and calculated. Otherwise there will be chronic dissatisfaction. And what could be simpler than an equal pound rate upon the unimproved value of all land? What possible objection can there be to such a basis, except that it would be opposed by a powerful vested interest? In that case the question resolves itself into a very simple issue, viz.: Is Britain to be ruled by a vested interest or by the whole people?

But indeed most members of that vested interest are still profoundly ignorant of the probable effects of the rating of unimproved land values. They do not see that the transfer of rates from the rateable value basis to that of site value necessarily involves the relief of all improvement values, and therefore furnishes a powerful incentive to the making of improvements, thereby encouraging and assisting industry and enterprise of every kind. They say we propose to "confiscate" the value of their land by rating it. Well, all taxation is confiscation in that sense—why should land not be rated directly? They entirely overlook the fact that, while the value of their land is reduced, the value of their improvements is enhanced because the rates upon them are reduced. A prudent, improving owner of agricultural land is likely to benefit by the change, for the value of his improvements ought to be greater than the unimproved value of his land.

Another error into which many of them fall is that agricultural land owes its value mainly to fertility. But the most fertile land conceivable has no value until people desire to use it. The unimproved value of agricultural land, like that of all other land, depends solely on the demand made for its use. It is created and maintained, and renewed from day to day, by the presence and activities of the entire population. Under these circumstances it should not be difficult to convince next month's Conference that adherence to the uniform principle of levying a rate upon all land values is the only sound policy. And here it may be well to mention that an adjustment of rating areas will be necessary in order to secure the inclusion of urban and rural property in each rating area. This is the only logical solution of the problem which the Acts of 1896 and 1923 have failed to solve. The towns derive great benefits from the country—and particularly, in recent years, from country roads. Rating areas which include both town and country property provide the simplest method of relieving the farmer of any undue share of the burden of a rate on the unimproved value of land.

The rating of agricultural properties on the basis of their unimproved land value will necessarily displace the buying out of landowners as the remedy for the former's difficulties. Coupled with security of tenure, and the abolition of the landlord's power to control the methods of cultivation, it would place the farmer in a state of independence. For as the new rate would fall upon the unimproved value of all land, one of its first results would be to bring into the market most, if not all, of the unused land. The effect of this would obviously be to reduce the level of land values. It would moreover enable competent agricultural labourers, aided by the credits already proposed, to become smallholders. At the same time it would facilitate the provision of small areas of land for allotments and for each rural cottage. Land now reserved for individual sport and pleasure must pay the new rate just the

same as all other land. Owners who could not afford to pay it would have no alternative but to put their land on the market. But it would be quite fair to leave land of this kind in the owner's hands so long as he is willing and able to pay the rate on its unimproved value.

In criticising the omission of agricultural land from the scheme for rating land values, I have necessarily dealt at the same time with a number of the other proposals, while there are others of such small importance that their separate consideration is unnecessary at present. But there are a few more points on which it is desirable to remark.

I can see no reason why the farmer's promised security of tenure should be made subject to public interest and good cultivation. I do not in the least understand what is meant by " public interest " in this connection. But if it means that the farmer is freed from the landlord's control of cultivation only to be put under that of an inspector from the Ministry of Agriculture or any other public authority, he will probably consider himself thrown " out of the frying-pan into the fire." And I should entirely agree with him. It is the fashion to blame the farmer for the unsatisfactory condition of the agricultural industry. But those who do so fail to perceive that the tenant-farmer of to-day is the product of generations of control. He has never had a free hand. He may have had ideas, but he has had no opportunity of putting them into practice. The landlord's veto and the " custom of the country " have proved insurmountable obstacles. (I fully appreciate the value of the " custom of the country " as a guide to farmers. The mischief is due to making it a hard-and-fast rule.) It is no wonder that farmers have got into a groove ; they cannot help themselves under the present conditions of tenure. Why not try a dose of the old Liberal medicine of freedom ? Why not make the farmer as independent as any other man of business—master on his own farm and free to cultivate according to his own views ? After all it is *his* capital which is at stake in the cultivations, manures, roots and seeds ; and it is now—quite justly—proposed that he should also have the right to make improvements. He is to run all the risks—why should he not enjoy the profits, or face the losses, without the fear of a State eviction hanging over his head ? Oh, but it will be said that under such circumstances the farmer will impoverish the land—will take more out of it than he puts in ! Will he, indeed ? He may well do so under the present system, when any year may bring him notice to quit. But will he do so when the farm is practically his own, subject to the payment of a fair rent ? The idea is childish. It is possible there may be a case of failure, here and there, as in all businesses ; in which case the farmer must sell out, for he cannot get further credit and cannot carry on without it. In this way farms will change hands naturally—there is no need for State intervention.

Let me add a word of protest against the proposal to measure the labourer's wages by the cost of living. I agree that wages should never fall *below* the subsistence level—that is the minimum. But the true measure of wages is the value of the work done ; and I view with great anxiety any instruction to Wages Boards to determine rates of wages on any other footing.

I notice that when a farmer takes land from a public authority it is proposed that he should pay a " fixed " rent, though in other cases it is to be a " fair " rent. Now a fixed rent cannot be a fair one. A fair rent must vary with the general standard ; but a fixed rent cannot vary at all, and, consequently, when values fall, the tenant will be paying a higher rent than his land is worth. This inconsistency should be remedied.

The proposed power to Rating Authorities to levy a special super-rate, in addition to ordinary site value rates, on increased site values due to public improvements, will be expensive and difficult to work, and is, I venture to think, unnecessary. Increased values arising after public improvements are usually large, and for this reason owners took every opportunity of contesting (under the Betterment clauses obtained by the L.C.C. 20 or 30 years ago) both the amount of such values and the extent to which they were due to the public improvement. The consequence was that the expense of contesting almost every case absorbed all or most of the receipts from the Betterment charges ; and the policy had to be abandoned. We should learn from that experience to avoid all such difficulties. But the public need not lose by doing so. For the unusually large increases of value due to public improvements will be liable to the ordinary site value rate, whatever may have been their causes. The yield of the ordinary rate will be greatly swollen in such cases, because it will be levied on a greatly increased site value. The public will probably get a larger revenue, and will not have to spend large sums in disputes and litigation.

The essence of our reform is *an equal rate on the value of all land.* SIGMA.

NOW WE KNOW

Whatever changes, if any, Parliament may think fit to make in the rights to mineral properties, the position under the existing law is clear and free from doubt. It has always been part of the law of England that ownership of the surface of land carries with it (unless expressly excluded in the grant) any superstructure, and also any substance below the surface.

One of the attractions in purchasing land has been that it possess future possibilities, however remote they may appear at the date of purchase. Any accretion in the value of land owing to minerals being discovered under the surface, belongs, in law, to the owner of such land ; in the same way as where land known to possess mineral wealth acquires an enhanced value owing to the demand for minerals at a good price being increased ; or where land purchased as agricultural land, subsequently acquires a building value.

Whether the royalty is regarded as a terminable annuity, in the nature of purchase money, or as rent for privileges conferred, and which must come to an end when the mine is exhausted, the result is the same. It is paid for the exercise of rights, which, in law, the royalty owner is free to prevent from being exercised, or, if he prefers it, to exercise himself, instead of allowing the same, for a consideration, to be exercised by others.

From an article on " How the Law Stands," by E. P. Hewitt, K.C., in the MORNING POST, *21st December.*