

CORRESPONDENCE

Land Value Rating

To the Editor of LAND & LIBERTY.

SIR,

With reference to Mr. Madsen's reply to an article of mine, he makes great play with the illustration I gave of a site in South Australia. I took the case from your own columns, but by a clerical error of transcription (which I regret) I reckoned £233 per foot instead of £1,233. And the acreage price I gave, £10,149,840, was not obviously inconsistent with the fact, as proved by your pamphlet on Land Value Rating that land prices are enormously high in Australia. Your summary of the GLASGOW HERALD cutting did not state that the land was bought for a cinema, nor the city where it was situated. And I assumed that the price was per foot superficial, as there is no point in the price per foot frontage unless the area of the site is known.

My article was designed to show from actual examples, taken from single tax publications, that the rating of land values does not produce a general cheapening of land, which is usually claimed as one of its chief advantages. I cited Henry George, who argued in PROGRESS AND POVERTY, Book VI., Ch. 1, that a reduction of taxes leads to a rise in the value of land. I also quoted the head of the Land and Income Tax Department of Wellington who reported that the exemption of improvements had had that effect, experience thus confirming Henry George's theory.

The figures I gave for New Zealand, which were quite correct for the period from 1891 to 1909, were that land values had increased by £81,000,000 while improvements had increased by £50,000,000. Mr. Madsen now supplies the figures for a later period, from 1902 to 1919, which show that land values had increased by £181,000,000 while improvements had only increased by £109,000,000. And the recent re-valuation shows a further increase of £35,000,000 in the value of land.

Such figures lead to no conclusion, says Mr. Madsen. But I submit that they completely support my contention that no scheme of taxation of land values has yet been put into operation which has prevented landlords from getting rich at the expense of the industry of other men, who have to pay more in land rent although they pay less (or nothing) in taxation upon their improvements. What they gain in one way they lose in another. As a scheme for cutting the landlord out altogether it is simply futile. It is a *cul-de-sac* which leads nowhere.

Mr. Madsen's claim that the heavy fall in the land values of Western Canada was due to taxation is as good an example of *post hoc ergo propter hoc* as the famous example of the Empress of China attributing her illness to the railways because she was in good health before they came. The simple truth is that they were gamblers' values which were bound to come down by their own weight and unreality, as such values always do come down after every land boom, taxation or no taxation. If land values go up he says it is the natural result of increase of population. If they go down he says it is the natural result of taxation. This, of course, comfortably fits in with his theory, but the facts, which are stubborn things, are all against it.

It is not in dispute that a substantial tax on vacant or under-developed land tends to loosen the grip of men who merely hold it as a speculation for future increment, but I submit that that end would be far better obtained by the compulsory dispossession of the owner. It is also an advantage for a man to know that his improvements will not be taxed, but if he has to pay as much in land rent alone as he formerly paid in land rent and taxes it seems to me that the benefit is more in seeming than in reality. And the figures which Mr. Madsen himself gives in his pamphlet prove that this is actually the case. For the value of the land alone per head of the population is greater, and often

much greater, in every case he gives of the cities where land values are fully rated and improvements correspondingly exempted; than the value of both land and improvements in cities of a similar size in this country.

Take the case of Birmingham as an example. The rateable value of that city is about £5,000,000. The actual rent paid for land and buildings is therefore about £6,000,000, and the total capitalisation of the rent is about £130,000,000. Yet arguing from American and Australian examples Mr. Madsen asserts that the land alone in Birmingham is worth as much as the land and buildings together are actually proved to be. When the City Treasurer says that the land of Birmingham is worth £30,000,000 he may be wrong, but when Mr. Madsen says it is worth £130,000,000 it is a sheer guess which is not only not supported by the facts, but is actually disproved by them, for even if the 20,000 acres of agricultural land are worth £500 per acre the actual value of land and buildings would be little greater than the figure he gives for the land by itself.

The fact is that land is worth much more when improvements are exempted than where they are taxed, and this is entirely in keeping with Henry George's theory that landlords are able to get more for their land, either in rent or selling price, when taxation is reduced.

Whatever the rating of land values does or fails to do, and whether it is or is not accompanied by the exemption of improvements it is perfectly clear that it does not produce the cheap land we are told to expect from it, nor does it lessen the toll which landlords impose on the community. In my judgment, it does not help us to secure the object which Henry George set himself out to accomplish—the abolition of private property in land. That is the supreme test, and unless it can do that I submit it is a failure.

Yours truly,

JOSEPH HYDER.