

DO THE LANDLORDS CREATE LAND VALUE?

The Views of the Land Union Examined

THE MARCH-APRIL issue of the *Land Union Journal* contains the text of evidence submitted by the Land Union to the Uthwatt Committee. They say that they assume that the basis of our land system will remain as at present and that the land is to continue in private ownership. The memorandum then adds:—

"Similarly it would appear that suggestions dependent upon the adoption of a system of taxation or rating upon capital site value would be deemed to be outside the purview of the Committee, but with regard to this it is considered desirable to refer briefly to the basic fallacies upon which proposals for such taxation or rating are based and which indeed may affect the outlook of many individuals and bodies whose views the Committee solicits upon the questions before it.

"These are:

"(a) That land values are the only values created by the presence of the community;

"(b) That the owner of a valuable site pays nothing in respect of its value either to the national or local purse.

"With regard to (a) above, it is conceded that where a local authority constructs roads, sewers and other services in undeveloped land which is ripe for development, then the added value attributable to the provision of the roads and services is created by the community, and it is also conceded that the local authority is entitled to some return from the owner in respect of the outlay incurred by it. But the value which land has merely by reason of its proximity to a large centre of population is no more a community created value than is the value of a professional practice or of a trade or business which depends for its clientele or custom upon the public residing in or coming to the district.

"In general, apart from specific cases such as that mentioned above, the value of land is created by the actions of individuals or other bodies. Obvious examples are the land values in or near to such centres of population as Port Sunlight, Bournville, Letchworth Garden City and Welwyn Garden City. It could not, for instance, be argued that the Welwyn Urban District Council created to administer the affairs of the Garden City was entitled to levy rates on the land values in and near the Garden City on the ground that such values were created by the community and not by the Garden City Company. And in the same way, land value depends chiefly on the type of development on that or neighbouring land in the immediate or remote past by the landowner or landowners.

"With regard to (b) above, it is apparent that for Schedule 'A' purposes a well situated property will be assessed at a higher figure than a poorly situated one, and that the owner will accordingly bear tax in respect of the value attributable to the site, especially since the provisions of the Finance Act, 1940, became operative.

"In the case of rates the contribution of the owner as distinct from the occupier is not so apparent but it is there all the same. For in taking a lease or tenancy of any premises the prospective tenant reckons up the amount they are worth to him, or the amount he can afford taking into account his liability for local rates. If this sum be x , and the amount of the local rates be y , then the rent which the landlord receives is $x-y$. The value of x is more or less constant, being the market value, and the higher y is, the less is the rent received by the owner. Accordingly in respect of a well situated

property the landowner makes a substantial contribution which is none the less a contribution because it is represented by money he never receives rather than by money which he pays out.

"Apart from the considerations set out in the next preceding paragraph, it is considered that in view of the urgent need of proceeding with our reconstruction immediately after the war, any scheme, such as that involved in the taxation or rating of capital site values, which involves the wholesale valuation of the artificially separated site value of the land of the country, or even only of that in urban areas, would be ruled out on account of the prolonged period which would be necessary in order to carry out such a valuation."

We are grateful to the Land Union for the testimony that proposals for the rating and taxation of land values are based upon considerations which may affect the outlook of many individuals and bodies. The ground upon which the Land Union chooses to contest the subject is also significant.

They do not deny that land values are created by the presence of the community, but allege that there are other values in the same category. There is nothing, however, which is in the same category as land—a thing which is not created by human exertion and is the essential basis of life and the source of every commodity.

The example of the value of a professional practice or a trade increasing by reason of growth of population is particularly inept. The increased revenue is largely or wholly rent, and if the professional man or the tradesman is a lessee that fact becomes very evident when his lease expires and he endeavours to negotiate terms for its renewal. Indeed the power of the landlord is so great that legislation has had to be passed for the purpose of trying to safeguard the tenant from having taken from him not the increase in the rent of the land but even the fruits of his own labour and expenditure.

Nor are the examples of Letchworth and Welwyn more in point. If population had not come to these places the land would not have increased in value, and if the population were to leave them the land would fall in value. Many dramatic illustrations of this have been seen in the United States in quite recent times. In some cases many miles of streets were marked out and even provided with side walks. Plots were bought and sold at high prices on the assumption that population would come, but the population never came, the price of land collapsed, and the plot holders lost their money, the banks lost their security, and widespread disaster ensued.

Unless there were a community there would be no economic life and no values. In that sense all values are due to the community. But it is not in that sense that the value of land is rightly described as a community created value, but because land is not produced, has no cost of production and its value is solely a reflection of the advantages attaching to any plot of land by reason of the whole economic activity of the community in which it is situated.

Assessments for income tax, Schedule A, do contain some element of land value, but the subject assessed is the land including the buildings and other improvements. It is no more a tax on land values than a local rate is a tax on land values. The Land Union, however, contend that local rates are in the end paid by the owners in the sense that the rent which the tenant will pay is less if the rates are high. But the rate is paid on

an assessment of the annual value of the land including the improvements. It is far more a tax on improvements than a tax on land values. That is particularly true of the method of local taxation in force in Great Britain, where the valuation depends upon the use which is made of the property at the moment and takes no account of the potentiality of the land for better use.

It is quite misleading to say that our existing system of taxation and rating taxes land values, but, if it did, it would clearly be far better if it were placed upon a scientific basis and rested upon a real valuation of the land value. If these taxes really fell upon the landowner, it would be well if they were imposed upon him directly. Moreover, if they did fall upon the landlord there would be a strong case for reform from his point of view, so that the landlord who had improved and developed his property should be relieved and the landlord who had not should pay a larger share.

The argument resembles the case of the gentleman who was going to buy a new hat, but on the way was relieved of his money by a pick-pocket. He did not buy a new hat, and it was argued that the latter had really suffered the loss.

It is to be hoped that no one will take too seriously the contention that it will take a prolonged period to make a valuation of the land value of this country. It is an ancient argument and in the years since it was first put forward as an objection to land value taxation, the land might have been valued many times over at reasonable intervals. If it were true that the valuation would take a long time, that would be all the more reason for starting at once and putting every effort into completing it, for the advantages to the public of having such a valuation are admitted by almost everyone who has given consideration to the problem of securing the best use of land and protecting the community from being charged exorbitant prices. The contention is in fact insubstantial, because there is abundant evidence from those countries where it has been done that valuation presents no formidable obstacles. All that is needed is the will to do it and to thrust aside the resistance of the vested interests who wish to obstruct it.

"Such suggestions as I have seen put forward for social reconstruction and the 'New World' after the war, by those who appear to have inspired knowledge, only show to me a mental outlook devoid of anything beyond a continuance of the present state of affairs with a co-ordination and extension of existing social services greatly brought into being and developed because the foundation was insecure. These co-called social services mainly represent the price which we are called upon to pay for economic failure. It is our mission to try and secure that any new order shall have its foundations rooted in justice and freedom, thus mitigating and doing away with those ills which the social services tend to bolster up and perpetuate."—*From a Correspondent, "H.E.H."*

"The Case for Land Value Taxation Now," the statement presented by twenty-four members of Parliament to the Chancellor of the Exchequer reported in *Land & Liberty* of March last was published in full in the *Barbados Advocate* of 3rd May.

Mr Winston Churchill's speech in Edinburgh, 17th July, 1909, on the Land Monopoly was reprinted in part in the *San Francisco Pacific News* of 27th March, 1941, and the extract has been published, under the title "The Mother of All Monopolies" in leaflet form for wider distribution. Copies have been received from Mr J. Rupert Mason, San Francisco.

FAMILY ALLOWANCES

IT WAS certainly monstrous to suggest as was done in the draft of a resolution, which we reported last month as having been prepared for the Liberal Party's annual meeting, that "children are the chief single cause of poverty." The preamble to the advocacy of family allowances was altered to read "recognising that the proportion of dependent children living in poverty is an acknowledged weakness of our social system," and so supported or introduced, the demand for a State subsidy of 5s. per week per child, "payable to the mother as a means of assisting the family when the need is greatest," was adopted. This was the chief business of the final session of the Liberal Party's annual conference held in the Caxton Hall, London, Saturday, 19th July. The resolution had been submitted by the Women's Liberal Federation; it was moved by Mr B. Seebom Rowntree and seconded by Mrs Corbett Ashby.

The surrender to the view that poverty is inevitable and incurable is abject. It is not the demand for this State subsidy in aid of low wages which is arguable but the contentions by which the demand is supported. The Committee, Lady Violet Bonham Carter presiding, which investigated the question of family allowances, makes the astonishing statement that "as Liberals we believe that in a democratic state the citizen is entitled to a minimum form of subsistence," a statement in complete contradiction with the view that subsistence is that which is gained by labour and it cannot be got through or from the State except out of wealth which is produced by labour; the statement point-blank denies that the citizen is entitled to his equal right to life, to his equal opportunity to gain a livelihood and to enjoy the fruits of his labour—he can only live by virtue of the superior right of someone else who (by some cause not examined or tacitly accepted) has a greater share of wealth produced, which the State usurping an arbitrary right to arbitrary powers grabs by taxation or otherwise to give assistance to the poor. But in the first instance there must have been enough wealth to go round and to be distributed by this Robin Hood process, otherwise there would be no means available for these or any other allowances. The advocates of the scheme themselves, in their apparent enthusiasm for it, admit the plentitude of wealth. Recognising the poverty of the children they admit the poverty of the parents, and out of the disparity of condition in our "democratic State" they see 75 per cent of the population, among whom poverty is so great that children starve as beggars on the doorsteps of the other 25 per cent, claiming via the instrument of the State, a charitable sum of £130 millions a year.

Issued by the Women's Liberal Federation was a sheet of notes on the subject. We are baffled to read there: "It may be argued that to meet this poverty there should be an increase in wages. To increase wages so much as to secure all children from under-feeding would need an impossible rise." Comment is superfluous. Who speak so must think again on the causes of the unequal distribution of wealth and take sides once and for all against the injustices that are responsible—or their democracy is a very counterfeit presentment.

FORM OF BEQUEST

I bequeath (free of duty) to the United Committee for the Taxation of Land Values, Limited, the sum of £.....