

LAND & LIBERTY

Editor

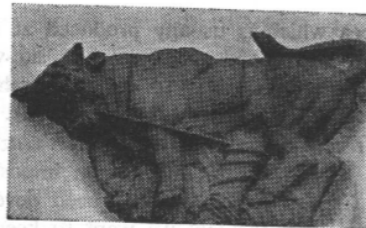
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JULY & AUGUST, 1964

TWO SHILLINGS



EDITORIAL

Wrongly Briefed on Land Reform

THIS HOUSE is gravely concerned at the continuing increase in the price of urban land especially for the building of houses for private persons and local authorities and for other local authority purposes and calls upon Her Majesty's Government to introduce urgent measures to deal with this grave problem."

With this Motion, a debate in the Commons on "The Cost of Land" was opened by Mr. Julius Silverman (Labour, Birmingham, Aston) on June 5. The debate lasted four and three-quarter hours. The transcript of the whole business takes up 104 columns of *Hansard* and it is well-worth reading in full. Not unnaturally, the debate was a lively one. The Socialists made much play of the Government's apathy and failure to face the problem of high land prices, while the Conservatives talked at length of the Labour Party's proposals as outlined in *Signposts for the Sixties*.

It would have been difficult, of course, for such a debate not to have contained at least one reference to the possibility of introducing site-value rating or a land-value tax as a solution to the problem. Indeed, Mr. Silverman himself stated: "It is not my job to put forward a method of solving this whole problem. I have suggested some of the lines which could be followed. I believe that public ownership is largely the answer, but I do not exclude the taxation of land or site values, or even some sort of betterment on the lines of the 1947 position."

Taking up the LVT gauntlet, the Minister of Housing and Local Government, Sir Keith Joseph, said:

"I have been amazed today, and many members of the public will feel the same, that no Hon. Member opposite has produced the next

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panacea which is usually produced at meetings I attend and in correspondence I receive—site-value taxation. I do not presume today to deal comprehensively with this subject. It has been dealt with by Mr. Trustram Eve in two recent issues of the *Estates Gazette*. One of the



great difficulties of imposing a tax on land which has not been developed is that, by the law we want to keep, land cannot be developed if it does not have planning permission.

"It would not be reasonable to say to people: 'We intend to tax you so as to stimulate you into developing your land to the full, even if you cannot get planning permission to develop it.' If one said: 'we will assume an arbitrary amount of land as having planning permission, whether or not it has it,' one would come up against the problem that even if the owner wanted to develop he might not be able to do so in conditions of full building employment as exist today. He might not be able to get builders to develop the land. This shows that the site-value tax has a great number of difficulties, only a couple of which I have picked out. I accept that many people think that one or another variant, and there are many, of site-value taxation might be relevant, at least for consideration."

The last part of the Minister's statement is, perhaps, a little ambiguous. The arguments that the Minister himself raised against the taxation of site values are poor and inaccurate ones—in fact the "difficulties" envisaged are entirely of his own imagination—but does the fact that Sir Keith concedes that "many people think . . . that site-value taxation might be relevant, at least for consideration" mean that he is prepared to consider it? We may well wonder.

The Minister's contention that, under present town planning legislation, it would be wrong to tax at a high rate land that could not be developed is, of course, correct. Since, however, such land would have no development potential, its market value would be negligible and the consequent assessed annual value and resultant tax burden would be minimal. The Minister's other point suggests that the construction industry in this country is totally inflexible and that its productive capacity is strictly limited for all time.

This is obviously false, for not a day goes by without our reading in the Press and the trade journals that the building industry is on the threshold of a technological breakthrough. Factory-produced building components (including the assembly of whole units of residential accommodation on car production-line systems) combined with sophisticated and highly automated methods of site clearance and construction are already making an appearance and are being exploited by local authorities and private companies alike. There can be no doubt that given the incentive the industry can expand its output without increasing its labour force provided that technical

knowledge is exploited to the full and that the unions co-operate in the expansion and rationalisation of the industry.

And free trade applied to the sphere of the building industry would not be without significant effect.

The Minister's reference to the articles in the *Estates Gazette* by Mr. Trustram Eve, pointing to alleged difficulties of site-value taxation, throws a new light on that writer's work. Are we to assume that Mr. Eve is the Minister's unofficial spokesman on site-value rating, or does he hold the privileged position of being the Minister's adviser on policy affecting Conservative vested interests?

To return to the debate, however. In an earlier assessment of the forms of taxation open to the Government to reap some of the increases in land values, Sir Keith Joseph said: "If we were to consider increasing the element of taxation on land sales so as to secure some 'betterment' for the community . . . there would be the risk . . . that part or all of the tax in areas of high demand would simply be added to the land prices . . . There might not everywhere be an increase, but if a tax were chosen as an instrument to reduce land prices, I do not believe it would be effective."

It is common knowledge to students of the land-price problem, of course, that any attempt to collect "betterment" on the style of the 1947 Act would fail. The only tax on land that will reduce the price of land is a tax on all land values, not just on those that show an increase following the receipt of planning permission.

The debate itself was full of emotion, truth, half-truth and party partisanship. It is to be regretted that no one put up a real case for site-value rating. The Liberals, it would appear, were absent, or, if present, chose to remain silent.

However, Mr. Silverman made the most of his choice of motion. In his opening discourse on land owners he said: "As has been said on many occasions before, these (land) price increases occur without any service being given to the community whatsoever . . . Indeed, in many cases a positive disservice is done to the community. Yet these vast fortunes are allowed to be reaped on this basis. It is bad for the morale and the economy of the country. It helps to produce a state of mind in the nation which assumes that getting something for nothing is the right thing to do."

Summing up his argument for immediate Government action, and concluding his case for the day, Mr. Silverman said: "Charges have been put to the Government today. Very many hardships have been pointed out. We have asked the Government what they intend to do about this, and we have heard many ingenious reasons from the Minister why the Government are to do nothing."

"The land commission, taxing of site values and betterment—all are dismissed, and the gravamen of the reply is: 'We are living in the best of all possible worlds. There

is nothing to be done and there is nothing that we intend to do about it . . .

"Then he (Sir Keith) said that if, somehow, the price of land were controlled, that would result in a reduction in the amount of land available for housing, and that, somehow or other, house-building land would disappear. Where would it disappear to? . . . Land is a physical fact. It cannot disappear . . .

"I am sorry that I have not been able to get a more positive reply from the Minister."

NOTES AND NEWS

Apologies for Free Trade — Repetitious
Fallacies about S.V.R. — Hankering
after Land Nationalisation



CAUTIOUS FREE TRADE

BRTAIN'S FAILURE to gain entry into the European Common Market, the existence of the European Free Trade Area, the desire to foster closer economic links with the Commonwealth, and the approaches to be made through GATT for acceptance of the "Kennedy Round," have recently led economists to look closely again at the international trade situation. Among the analyses that have been made, that of Mr. G. T. Saunders, Director of the National Institute of Economic and Social Research, recently presented as an economic paper at the Woolwich Polytechnic, is worthy of close examination.

Mr. Saunders puts forward a reasoned plea for the gradual reduction of tariff barriers between highly developed industrial countries such as Japan, North America and the United Kingdom, and the rich primary-producing countries such as Australia and New Zealand. He considers, however, that there is a justifiable case for maintaining protective barriers against industrial and manufactured imports by the underdeveloped countries. Such a policy, it is maintained, would be justifiable on the grounds that it has been proved historically that underdeveloped countries can generally increase their national wealth totals only by some degree of industrial investment and not by reliance on primary products, i.e., the natural physical productive resources.

What is overlooked in this argument, of course, is that any impediment to trade decreases the total production of wealth. An "underdeveloped" country cannot possibly increase its national wealth by erecting tariff barriers. Industrial investment, which is certain to develop to some extent in every country in time, will come about naturally under conditions of free trade once the export of primary products has reached its maximum level.

Mr. Saunders concludes his treatise by pointing out that political factors in the U.K., America and Europe

With this last remark we would all agree. There are some of us, however, who might prefer a negative approach to a wrong one. Mr. Silverman cannot be blamed for examining all the possibilities briefly while highlighting his Party's proposals. To Mr. Silverman and a great number of members of parliament any measure would be better than none. We can only hope that eventually common sense will prevail and that the only just solution will find acceptance—the taxation of land values.

are likely to make any liberalisation of trade barriers a slow process, but he maintains that this should not preclude setting minds on a long distance goal.

It is an interesting feature of this paper that the author feels that he needs to defend his attitude in cautious terms, and indeed he goes out of his way to establish that he is not a "free trader" in the traditional sense of the term. In his argument for protection of the industrial economies of developing countries, he refers to Schumpeter, who was of the opinion that while universal free trade would tend to make the most efficient use of existing resources, it would not necessarily lead to the most effective *development* of resources. Put another way, the line of thought is that free trade would not necessarily lead to the most rapid economic progress of individual nations.

This is a remarkable and inconsistent conclusion for either Schumpeter or Mr. Saunders to come to. Free trade must inevitably lead to the most effective development of resources and to the most rapid economic progress of individual nations. It is in the constant development and replacement of existing techniques and methods of production, that free trade shows the greatest advantage.

While it cannot be denied that India's example has shown that industrialisation can speed up economic growth, it cannot be proved that this would not have occurred without foreign aid and protection if the distribution of wealth within the country had been different. To be more explicit, it is necessary to return to fundamentals. Henry George pointed out that the system of land tenure can restrict or encourage economic expansion while international free trade by itself tends to increase the rewards of land owners. The lesson here is that unless primary producers have access to the international markets and an enlightened system of land tenure, economic development will rest in the hands of those who are able to call the "investment" tune.