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DERATING: PATCHWORK PROPOSALS

The Executive Council of the Association of the County Councils of England and Wales adopted resolutions on July 28 deciding in favour of "(i) the abrogation of derating of industrial and freight-transport hereditaments and (ii) the restoration of the rating of agricultural hereditaments on a basis of 25 per cent of net annual value"; and recommending that the Government be requested to introduce legislation to that end.

The County Councils' Association thus joins with many influential municipal bodies in the demand for the repeal of the Acts generally known as the Derating Acts that were passed in 1928/29. It has reached its conclusions after considering a report specially prepared by the Society of County Treasurers showing "the likely effect on the finances of local authorities and on commerce and agriculture" if that repeal took place; that is to say if the rates that were lifted off agricultural and industrial properties in 1929 were re-imposed on them, with resultant reduction of rates now falling on all other properties.

This, be it remarked at once, is in no respect a reform of the existing system of local taxation. For if that is to remain as it is, with all that it does to penalize buildings and improvements and at the same time exempt the value of land, then the mere repeal of that privileged "derating" amounts to no more than an altered sharing of burdens that are imposed harmfully on all who are expected to bear them. Sharing burdens is said to be a virtue and a duty, but that can only be if the burdens are laid properly on the right shoulders, which is anything but the case with present-day methods of taxation.

Progressively, in a series of Acts, more and more "assistance to agriculture" has been accorded by way of favoured treatment in the matter of local taxation—the Public Health Act of 1875, the Agricultural Rates Acts of 1896 and 1923, and the Rating and Valuation Act of 1925. Thus the rates on agricultural land were reduced to one-quarter of what would otherwise be leviable, the Treasury helping to compensate local authorities for the loss they sustained thereby. In each case a Conservative Government was responsible for this hand-out which, by the well observed relationship between rent and rates, aided not the working farmer but the rent-receiving landlord. Then in 1928 and 1929 came the legislation by which all local taxation was lifted off agricultural land and farm buildings (but not farm dwellings), these exempted subjects being obliterated from the valuation

lists. At the same time productive industry was given what was equivalent to a subsidy by reducing by three-quarters the rates leviable on "industrial" hereditaments, meaning premises or parts of premises where the manufacturing or the processing of goods takes place. It was obviously a "tax shift" on a huge scale. This was the work of the Conservative Government led by Mr. Neville Chamberlain, as Prime Minister, and Mr., now Sir, Winston Churchill as Chancellor of the Exchequer, and it is of interest to recall the statement made by Mr. Churchill when he presented his Budget on April 16, 1929, and indulged in quite audacious casuistry. He proposed to make a "very important remission of taxation" and he went on: "The period of preparation is over; the necessary laws have been passed by Parliament; the necessary funds have been gathered and we are in the position to abolish this year three-quarters of the rates upon productive industry of all kinds and the whole of the rates upon agriculture. That is by far the best and by far the greatest gift which it is in our power to bestow. During this year the yield of the (new) petrol duty, £15,700,000, will be sufficient to meet the half-year's relief to industry and agriculture, but in 1930 the full scheme of rating relief comes into operation and the Exchequer will provide in relief of local rates nearly £36,000,000 of new money."

The gift WE have bestowed? From whom and to whom was this gift? And where did this charmingly described philanthropic Exchequer get its "new money?" In this case by legalized theft—by price-raising taxes on transport which is the very life blood of the community, to the gravest injury of agriculture and the industry which the rate-relief was intended to benefit. And the ultimate recipients of this gift of rate-relief? Anyone with an elemental understanding of the working of economic law can answer that. Not immediately perhaps, but ultimately such rate-relief is crystallized in the enhancement of the rent and value of land. That argument was abundantly established in the debates that took place at the time and it was conceded by the spokesmen of the landed interests themselves; their wishful thinking triumphed. And if the argument from both sides is substantial, Sir Winston Churchill's triumph of which he then so proudly boasted was to add a capitalized sum of £720,000,000 to the monopoly value of land. An evil gift, to be sure, in all its social and economic consequences.

The report of the County Treasurers* confines attention to the financial aspects of the matter as it would affect the local authorities and the ratepayers concerned. It is a thorough exposition compiled with great detail, and as far as its computations can be relied upon—for the compilers themselves are conscious of many assumptions they have had to make—it is on the whole an instructive investigation. We are given estimated figures that help to answer a question often asked, namely, what does the subsidy or "dole" to farmers and manufacturers by way of rate-relief amount to? The answer here relates to England and Wales alone and for a complete picture we should need to have a companion document for Scotland. Moreover the County Treasurers work upon the latest available published statistics which are those for year 1951/52 containing assessments that are hopelessly out of date.

Pending the publication of the revised assessments that are now being made, the investigation indicates, on the basis of the 1951/52 data, that if all the statutes back

* Available price 2s. 6d. from the County Councils' Association, 84 Eccleston Square, London, S.W.1.

to 1875 affecting these rate-reliefs were repealed, the sum of £72,500,000 would be added to the rateable values of the whole country (England and Wales). This is made up of £37,300,000 for agricultural land and £35,200,000 for industrial properties. And if those statutes were repealed, those agricultural and industrial hereditaments would be charged with £59,700,000 of local taxation they do not now pay. The local authorities would have an increased revenue of £22,600,000 and the rates payable in respect of domestic, commercial and other properties would be reduced by £37,100,000. What the "net cost" to "agriculture and industry" would be is governed by the assumption (and it is very shaky) that when the rate-relief is withdrawn the profits of the interested parties would be reduced and it is estimated they would have £18,600,000 less to pay in income tax, leaving £31,500,000 as the "net cost to agriculture and industry" when or if the complete switch took place. This is to put at the very lowest the amount of the annual subsidy given to farmers and manufacturers (and in the end to the recipients of the rent of land) at the general expense.

The County Councils' Association is not proposing the out-and-out reversal of these rate-relief privileges. Their request to the Government is to repeal the derating legislation of 1929, restoring the position as it was before then and leaving the agricultural interests still in enjoyment of the three-quarters relief; and that being the case, the estimates of the County Treasurers work out as follows: Assessed rateable values would be increased by £44,500,000, being £9,300,000 by re-rating agricultural land and £35,200,000 by re-rating the industrial premises, together these interests would have £38,100,000 more to pay in rates; local authorities would have an increased revenue of £12,600,000; the rates payable in respect of domestic, commercial and other properties would be reduced by £25,500,000; and the "net cost to agriculture and industry," after allowing for reduced income tax liability, would be £19,500,000.

Tabular statements are given for each county and each county borough in England and Wales comparing the rate position before and after the contemplated change. By roping in the agricultural and industrial hereditaments, the overall rate in the pound would fall by varying amounts up to 4s. and averaging 1s. 8d. Accepting the present rating system as it is, a modicum of fairness appears to be achieved by some better adjustment of the burdens it entails. That is about all there is to the argument. But the system would be given a new lease of life to continue acting as a scourge on all building and improvements and penalizing particularly every new development whether on agricultural or any other land.

As for the proper source of public revenues, this lies in the value of land, the value that attaches to land apart from buildings and improvements. We counter the requests of the County Councils' Association and all the other municipal bodies that concern themselves with vain attempts to cut paths through the morass of the present tax system. We call on the Government to rate and tax the value of all land, disregarding the use to which the land is put and whether it is used or not; and to carry out the policy of derating in the right sense: The derating of our homes, our shops, our factories, and of all buildings and improvements—the untaxing of the "work of man's hands" thus to "set the people free" which was the declared ambition of this Government when it entered on its present office.

A. W. M.

AUSTRALIAN VISITOR HONOURED

Reception to E. J. Craigie, ex-M.P.

Mr. E. J. Craigie attracted a large and enthusiastic audience to Westminster during the evening of July 21. The occasion was a social gathering and reception given by the publishers of LAND & LIBERTY in honour of their distinguished guest, a South Australian octogenarian whose outstanding contributions to the battle for equal freedom and economic justice have included service as president of the International Union for Land Value Taxation and Free Trade and eleven years as a member of his State legislature. The company present exceeded one hundred readers of LAND & LIBERTY resident in the metropolitan area and their friends. Very many absent friends sent greetings, regretting that prior engagements prevented them from being present.

Mr. Craigie is an attractive speaker, fluent, factual and friendly, with a good clear voice, an impressive familiarity with statistics and a stock of amusing anecdotes with which to enliven the heavier, more technical aspects of his subject. In the course of three-quarters of an hour he covered immense ground, outlining the history and progress of the land values movement in the Commonwealth, the nature of Federal and State land value enactments, the beneficial economic effects of this legislation, and in particular the provisions of the South Australian land value legislation. The audience was particularly interested to hear in some detail the way in which the important city of Marion had been won over to the land values camp on May 2—a victory reported in our previous issue—and of the signal part he had played in the long campaign that preceded the poll.

Following his address, Mr. Craigie was plied with questions on a number of points and these he dealt with so ably and with such clarity that this meeting, conveying so much information and instruction, is likely to remain long in the memory of those present.

A vote of thanks was moved by Mr. Ashley Mitchell and seconded by Mr. V. H. Blundell. Mr. A. W. Madsen, editor of LAND & LIBERTY, who had presided throughout the meeting, presented a leather-bound and inscribed autograph album containing the signatures of the assembled company in token of their regard and commemorating Mr. Craigie's visit to this country.

Mr. CRAIGIE'S NEW PAMPHLET

The relationship between rent and wages, land and labour is brought out with remarkable clarity in the latest pamphlet from the pen of Mr. E. J. Craigie, *Land and Wages*. It deals with the early colonization schemes associated with the Swan River Settlement where now stands the city of Perth, Western Australia, and with the foundation of South Australia. The pamphlet comprises 24 pages, including six whole page photogravure plates illustrating the growth of Adelaide and Perth, and includes as an interesting supplement a two-page chart contrasting the 1836 purchase prices of land in central Adelaide with the 1935 assessments of the unimproved values of the same sites. From our offices, price 1s. 0d.

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