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EDITORIAL

Local Government Finance—Change Without Reform

THE GOVERNMENT HAVE COMPLETED their review of local government finance. The broad conclusions arrived at, which it is proposed to put before the local authorities, were announced by Mr. Henry Brooke, the new Minister of Housing and Local Government in the House of Commons on February 12. After a thorough investigation it had not been thought practicable to devise a satisfactory new source of local revenue, nor was it believed right to earmark for the direct benefit of local authorities any tax that is now levied nationally. "Rates," said Mr. Brooke, "are in this country a well-established instrument of local taxation; there are still some difficulties to be overcome in the rate system but it provides a sound basis for local finance, and no better system of local taxation has been propounded."

The proposed changes include raising the rate contribution in respect of manufacturing premises and freight-transport hereditaments, so that they will pay rates on 50 per cent of net annual value instead of 25 per cent as at present, a privilege they have enjoyed since the passing of the Act of 1929 (which also gave complete exemption from rates to the holders of agricultural land). This is as far as the Government are prepared to go towards removing the anomalies that give sectional interests special favours in the matter of local taxation. The "derating" of industry would be only half mended. The pleas of Opposition speakers that it should be wholly abolished were emphatically resisted by Mr. Brooke and as for the agricultural land "derating", with the total exemption however valuable that land may be, for any use whether agricultural or not, that privilege is to remain as it is; the failure of Opposition speakers to say a word against it was as marked as it is politically significant; to both sides the farmer's vote counts for everything.

A minor change is that to be made in the system of pool payments to local authorities by the nationalised industries so that among other things there will be the direct rating

of electricity properties and the separate assessment of electricity and gas showrooms.

A major change will be a thorough revision of the Exchequer grants by which the Treasury contribute (out of national taxation) £6 to the local authorities for every £5 they themselves raise by local rates, whereas 30 years ago this relationship was as £1 to £2; this remarkable shift having reduced the financial independence of local authorities and their degree of direct responsibility to their own ratepayers, Mr. Brooke saying that since much of this Exchequer aid is on a percentage basis towards expenditure incurred on specific services, there may be danger of an excessive degree of detailed supervision over the spending of the money; moreover there was no certainty from year to year what the Exchequer might be called on to contribute. With a few exceptions where technical considerations make it not possible or desirable, the existing specific grants will be replaced by a general grant of an amount fixed in advance for a short period of years.

It is also proposed to revise the system of the equalisation grants by which the "poorer" local authorities, in the sense of having a comparatively low rateable value per head of population, receive subsidy from the Treasury. And viewing the Exchequer grants as a whole there will be some reduction in their total taking account of the new rate income that is to come by the partial re-rating of industry.

Some of those changes cannot meanwhile apply to Scotland because of its new rating Act which has frozen the existing valuations until 1961. As for England and Wales, the proposals are to be discussed with representatives of local authorities and with other organisations that are affected. The intention of the Government is to introduce legislation as soon as practicable when these necessary discussions have been completed.

While it is true that all properties should be treated alike and be subject to the same standard whether they

are houses or shops or offices or factories or farms and that on such understanding there should be no discrimination, it is a fatality that existing privileges, such as the derating of industry, are sought to be amended only by throwing a bulk of taxation back on buildings and improvements as will happen if the present proposals for "re-rating" take effect. This will hit, and in many cases savagely, every new building and every new improvement and will act as a brake upon every desirable capital expenditure. Get rid, certainly, of this unjust favouritism for the holders of land used for manufacture and agriculture but do it by separating their functions as producers of wealth from their functions as mere receivers of the rent of land. That is to say, let the rates fall upon the value attaching to land apart from the buildings and improvements thereon and no matter what stands there. Such re-rating as is now contemplated, while it seems fair as present circumstances go, will only stereotype and confirm the existing rating system with all the obvious economic injury it does.

Mr. Brooke contended that by the proposed changes, the local authorities would acquire increased responsibility in determining the money to be spent on the various services in accordance with local needs. A vigorous and independent local government would be fostered and stimulated, with Councils taking a lively interest in local expenditure. This is a step in the right direction but real independence and local democracy requires that the local authorities themselves should raise the whole of the monies they spend.

We recur to Mr. Brooke's opening remarks with which, in their context, we see little fault. He rightly disposed of the idea, often mooted, that the local authorities should be "presented" with the yield of various national taxes—such as entertainments duty and purchase tax—or that a local income tax should be instituted. That indeed clears the field for the real reform of local government finance that should take place—the rates levied not on land and buildings taken together, and falling the more heavily the better that any land is used, but exempting buildings and other improvements and falling on the value of land alone, being payable not by the occupier as such but by each person who has an interest in the land value and strictly in proportion to his interest therein.

A. W. M.

MESS, MUDDLE AND TANGLE

SECOND READING was given to the Rating and Valuation Bill in the Commons on February 7. The Bill, an interim measure, proposes a 20 per cent reduction in the net rateable value of shops and miscellaneous properties, adjustments in the calculation and distribution of Exchequer Equalisation Grants, and increases in the amounts payable by way of or in lieu of rates by the nationalised electricity, gas and transport industries.

In a notable speech from the Conservative benches, Mr. CYRIL BLACK (Wimbledon) said: "If this Bill becomes an

Act we shall have reached a point that cannot possibly be justified on any system of logic or reason. There will be at least five distinct and separate categories of property for local rating purposes. There will be the agricultural properties, 100 per cent derated; manufacturing premises, rated at current values with 75 per cent derating; domestic properties, rated at 1939 values; retail shops, rated on current values with one-fifth deduction; and mixed properties, consisting partly of retail premises and partly of domestic premises, rated on current values with one-seventh deduction. This is the mess, the muddle and the tangle which results from passing from expedient to expedient and from dealing with this matter by means of piecemeal legislation and never tackling the whole problem in a comprehensive way." In addition to the five categories listed there were others although these were perhaps not of equal importance.

Mr. Black said that he had served upon his borough council for 15 years and upon his county council for 14 years, and had been chairman of the finance committee on both authorities for considerable periods. He knew at first hand how keenly and strongly the local authorities were feeling the injustice of the Bill, particularly the proposed reduction in the shopkeepers' rates. Nevertheless he voted in favour of the Bill receiving its second reading.

It would have been in order, on second reading, for any Member to have demanded the total repeal of the present harmful hotch-potch rating system, and its replacement by the rating of land values. That has been done before on similar occasions. As it was, the opportunity went by default, although in passing Mr. DONALD WADE (Liberal, Huddersfield) remarked: "I would prefer to see the assessment based *primarily* upon site values rather than as at present. If that were done it would help to remedy some of the anomalies that exist today and which have existed for many years."

Such tepidity was surprising but it is in line with what according to an official statement published in the *Liberal News* on March 1, appears now to be Liberal Party policy. It states that "the new valuation should be based *primarily* on site values and not on developed values as at present". The word we have italicised is capable of only one possible interpretation: the Liberal Party has gone back on its earlier policy and now is in favour of buildings and other man-made improvements being taxed.

NEW TOWN PROPOSAL REJECTED

MR. HENRY BROOKE, Minister of Housing and Local Government, last month dismissed the appeal by Dolphin Development and Management Co., Ltd., against the refusal by Kent County Council to give planning permission for the building of a new town of 25,000 population on 900 acres of land at Allhallows-on-Sea.

The new town, which the company estimated would have cost £20 million and would have taken 15 years to build, was intended to provide housing for workers at

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the nearby Kent Oil Refinery on the Isle of Grain, many of whom now have long journeys to work from such places as Rochester, Gillingham, Chatham and Gravesend. It would have included a considerable industrial estate to provide varied work, and would have made provision for shopping, entertainment, schools, recreation, etc., on a scale appropriate to a seaside town of 25,000 people. It was also hoped that it would have made some contribution to the decentralisation of London industry and population. A local inquiry was held last September.

The Minister, in dismissing the appeal, made it clear that his reason for doing so was the very high agricultural value of most of the land. This was also the main ground on which Kent County Council had refused permission. Evidence had been given at the inquiry that the productivity of the land was double the national average, and much of it produced two crops a year. The Minister said that such land ought clearly to be retained in agricultural use unless there were the most compelling reasons for developing it, and although the case for the new town was a strong one he did not think it provided sufficient grounds for "sacrificing" land which was of outstanding value to agriculture.

There is no possible justification for the decision on economic grounds. For one thing, investigation has shown that gardeners can produce *more* food from what is left of an acre of land after roads have been laid and eight to 12 houses have been erected than the farmer can produce from the whole acre. A more important consideration is that food is abundant in the world markets and people in Britain could buy, more cheaply than at present, as much food as they need if it were not for the barriers to trade deployed by a government subservient to privileged interests. Dutch and Danish farmers, among others, would be only too pleased to increase their production to meet the demands of British housewives.

According to some Press reports, it was thought that the envisaged new town would have provided a useful port for handling some of the increased trade with Europe which the government hopes may materialise as a result of the proposed so-called "free trade" plan. It would have been built entirely by private enterprise at no charge to the Exchequer or the rates, unlike the new towns built since the war and the present town extension schemes in various parts of the country.

One of the most disturbing features of this incident is that a Conservative Minister was placed in a position comparable to that which confronts Soviet commissars responsible for allocating nationalised lands, and was able, by substituting his imperfect judgment for the free play of the market, to ordain that valuable land should be used relatively uneconomically.

Mr. A. W. Madsen, editor of *LAND & LIBERTY*, returns to his desk fully restored to health on March 12 after three months' absence.

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THE RISING COST OF LIVING

Who Will Halt It, and When?

THIS REPLY by Hon. F. A. W. Lucas, Q.C., to an editorial appeared in the Johannesburg *Sunday Times* recently:

The answer to that one is: "No-one and never," at least so long as our big parties confine their attention to ideological questions such as apartheid and a Republic, things we cannot eat or wear or live in.

Those questions are a godsend to our politicians who, by rousing passions, can keep the voters from demanding that bread-and-butter issues be tackled. The Government says that it can do nothing to stop the rise in the cost of living or to bring it down. That just is not true.

There are three main, immediate factors causing that rise: (1) The debasing by the Government of the currency through inflation; (2) The immense raising of prices by the farmers' control boards; and (3) Our system of taxation. All three of these factors can be dealt with directly by the Government so that a very considerable reduction in the cost of living could be brought about.

If the Government would stop borrowing millions of pounds for wasteful non-productive expenditure, a halt could be called to inflation and our pound could become worth nearer a pound than a dollar.

The farmers' control boards were set up for the express purpose of raising prices, with the result that the farmers who were big landowners made enormous profits as well as fortunes when they sold their land at the fantastic prices which resulted from those profits being possible.

One example will suffice. The Maize Control Board in 1938 raised the price of maize to the farmers to 8s. a bag, and with that the producers were well satisfied. By the 1950s the Board had raised the price to 32s., that is, four times the 1938 price. Of course, costs of production had risen but nothing like as much as four times. The wages of farm labourers are very little higher now than they were in 1938. This position is similar with wheat and potatoes.

As a result of the immense profits from the increase in the prices of farm products, the rents of tenant farmers were raised and the price of land to new farmers rose to such exorbitant figures that both tenant farmers and new farmers find it hard to make a living even with the present high prices for their produce. The hardship thus suffered by them is used as an argument by the farmers who are large land owners as a reason for maintaining, if not increasing, the Board's high prices. They are, of course, immensely powerful in the present political set-up, and the Government will not touch them.

As to the third factor, every tax, with one exception, raises the cost of living. That is obvious with customs tariffs and taxes on buildings; but it is equally true of income tax. The one exception is a tax on the value of land, excluding the value of improvements on it. Such a tax would reduce rent and the cost of living. It is the one tax which the big parties will not even consider!