

Too Much For Granted

By PAUL KNIGHT

Review of the paper "Site-Value Rating and the Recovery of Betterment" read by Mr. P. H. Clarke, A.R.I.C.S. at the Colloquium on Land Values held in London, March 13 and 14.

MR. CLARKE deliberately avoids discussion as to the merits of site-value rating as an alternative rating system and confines himself to an examination of its use as a vehicle for collecting betterment. He traces the history of attempts to collect betterment, which in its widest sense includes not only increases in land values that arise directly or indirectly from public expenditure, planning permission, etc., but also those increases that arise through general community influences. Distinctions between the two he rightly regards as "somewhat artificial."

Mr. Clarke's analysis of the pros and cons of site-value rating as they apply to the collection of betterment is fair and objective — too objective perhaps, for one almost wishes that Mr. Clarke had been more assertive of his own views, whether for or against. However, he does state one unqualified belief: "I have stressed, at some length, the moral aspect of imposing a levy on site values since I believe this to be fundamental to both site-value rating and the recovery of betterment. Both principles rest on a sound moral basis, and, on this ground alone, are valid." He adds: "It is only when questions of economics, administration and practicability are introduced that doubts begin to appear." Although not sharing the doubts, we must concede that they are genuinely held.

During the course of his paper Mr. Clarke disposes of a number of alleged difficulties and makes the important point that site-value rating catches betterment in all its forms, and operates fairly as between owners. He says: "It could be argued that it does not single out one owner or group of owners and discriminate against them while others benefit but escape liability. In particular it does not discriminate against owners seeking to carry out development, and thus penalise those engaged on the important task of urban renewal. Since the acceptance of the impracticability of the principle of a betterment levy to meet the cost of planning compensation, the principle of betterment has been defended mainly on moral grounds as providing an equalising influence between owners differently affected by planning control."

Mr. Clarke remains firmly on the fence to the end of his paper, where he gives it as his opinion that any firm conclusion on the use of site-value rating for the recovery of betterment must await the results of further research.

In spite of the impartiality and of the informative nature of his paper (to those not well versed in the question), it contains a number of misunderstandings, which, for the record, it would be as well to correct.

On the merits of assessing land on annual values as compared with capital values, Mr. Clarke says that there is little to choose between them, that the difference is not

of major importance: "Each value can readily be converted into the other by the application of current interest rates."

While this is true of the *first* valuation, it ceases to apply on the second and subsequent valuations, *for capital values will by then have fallen by the amount of the land-value rate levied*. Every time the land-value tax is increased, the capital value of land will fall. The *annual* value, however, will (other things remaining equal) be consistent, irrespective of the amount of tax levied. A tax on land values reduces the *selling* price of land, without affecting its rental value. This is because the recipient of the economic rent of land pays the tax, not the user as user.

Mr. Clarke says in connection with the betterment levy that it is undesirable to introduce a 100 per cent levy on betterment, as some part of the enhanced land value may be due to the activity or enterprise of the owner. But, of course, owners cannot make land value; they can only make improvements. The doubt is also expressed as to whether or not a site-value rate could be kept "below 20s. in the pound." Although it is not Mr. Clarke's doubt, he does lend credence to an

DEFINITIONS

Betterment: An increase in land values arising from public improvements and the granting of planning permission; in its widest sense includes the effect of the growth of population and general community influences.

Increment Taxes: Taxes based upon increases in the value of all land which can be shown to have arisen for any reason between an appointed date and a subsequent valuation.

Rating of Site Values: The replacement of the present system, which bases rates upon the annual composite value of land and buildings taken together in their existing condition, with a rate levied upon the annual value of sites only, exempting all buildings and improvements. Land would be valued at its optimum permissible and realisable use.

Taxation of Land Values: Taxes levied upon land as in the rating of site values but accruing to the Exchequer, with the consequent reduction of other taxes.

absurdity by mentioning the matter at all. There is only twenty shillings per £ of land value to take; it is impossible to take more. Any attempt to tax land at more than its full value would result in taxing incomes from another source on a basis of land value, which, as any economist will agree, reverses the principle of site-value rating to the unfair disadvantage of the land owner.

Mr. Clarke is of course really examining the question of whether or not there would be sufficient revenue from site values to meet the required expenditure. Finally he thinks there would be, but to talk of taxing land more than 20s. in the £ is most misleading.

At another point Mr. Clarke states that land-value taxation could "work harshly" because a man could be taxed upon a value he is prevented for many reasons from realising. But, we would think, it is self evident (and it is implied in the land-value taxation theory) that only market (realisable) value would be taxed. The question of harshness would not arise.

Mr. Clarke suggests that the valuation of agricultural land would be beset with difficulties. He raises the matter of farm improvements, such as "farmhouses and buildings, hedges and ditches and fences; increased fertility and irrigation," which would have to be excluded, ignoring the fact that valuers in Denmark and other countries (and the valuer in the Whitstable survey) found no difficulty in excluding them. Confusingly, Mr. Clarke includes in improvements, "private improvements to adjoining land which enhance the value of the land under consideration."

Mr. Clarke's commendable anxiety to remain impartial and to present both sides of the question with fairness has led him to dispense with his own thinking on certain matters and thus not only to fail to follow through the implications of various arguments but to take some of the objections to site-value rating too much for granted.

THE NET TIGHTENS

POLICING of building sites is becoming a necessary part of planning — in order to make sure that developers stick to the planning permissions they have been granted. This was the opinion of a spokesman for the West Sussex County Council, whose officials, carrying out surprise site inspections, have discovered deviations from the original plans.

This must surely be the most startling example ever of the coercive nature of planning regulations.

However, the builders of West Sussex are in good company. During the thirty-five years that it took to build St. Paul's Cathedral, Sir Christopher Wren altered the design as much as he could back towards his original design which the ecclesiastical authorities would not approve.

Obviously they did not have sufficiently active "planning police" in those days.

Why I'm Quitting the Rat Race

By Jack Harris, in the *Sun*, February 26.

MILLIONAIRE property man Edward Drewery is quitting Britain's "housing rat-race." He says the frustration of building homes has beaten him.

Mr. Drewery has just sold his latest housing project, which is not yet completed, to rival developers for £750,000. Only a few of the three hundred homes at Orpington, Kent, are occupied. But Mr. Drewery said yesterday: "I just wanted to be shot of it."

Then he explained why he is quitting: "I have reached the stage of utter exasperation and feel I must chuck it up or get ulcers."

Obtaining permission to build, he said, could take up to three years. Meanwhile, the developer had to pay charges and interest on capital outlay without any return on the investment. "Then, when you've got planning permits, the official objections start, and the hearings often last months. The planning committee act like they are God, and the local objectors stall with every move in the book."

The giant building firms, said Mr. Drewery, had large staffs that shared the frustration. But in his case he bore the strain alone. "Things have got to such a pitch in the fight for sites that the giants have established a new career — "land officers" — whose full time job is to roam the country seeking possible sites."

Now Mr. Drewery, who lives in Orpington, plans to sell steel pre-fab homes to underdeveloped countries. "There aren't local council housing officials and planning officers in the jungle. The people there buy a home and up it goes — like that."

Instruments of Power

By A. J. CARTER

State Monopoly of Textbooks

Forum of Free Enterprise, Bombay.

THIS LITTLE BOOKLET is concerned with a subject which many people in this country may not have thought about — whether the state should issue textbooks for schools.

In India the question is very much one of practical politics, although it may be that the mass of the Indian public accepts state monopoly of textbooks as docilely as the English public accepts planning and growth rates. I suspect that the Forum of Free Enterprise is as out of fashion in Indian society, as, say, the Council for the Reduction of Taxation is here.

The booklet consists principally of an article reprinted from *The Year Book of Education* and the texts of three talks given at a meeting in Bombay in August 1964. Between them these four contributions contain a host of reasons why provision of textbooks should not be undertaken by the state and why the state, in approving textbooks, should spread its blessing as widely as possible.