

THE TAX THAT IS NOT A BURDEN

From a statement by Miss Enid Lakeman in the "Liberal News," August 1st.

IN the centre of London there stood, before the war, Thomas Wallis's store. The site of this was recently sold for £235,000 per acre. This price had nothing to do with the value of the shop, or with any work that Thomas Wallis had ever done in it, for of all this the Luftwaffe had left nothing but a hole and a pile of rubble: the price was the price of the site and of nothing else.

Why should an acre of derelict land fetch £235,000? The same thing on a Yorkshire moor would not fetch one thousandth of the price.

The reason it is worth somebody's while to pay this huge sum is simply that the land lies in the midst of the world's largest city; because all around it there are people in desperate need of houses (and therefore of land to build them on), people who will buy in any new shop that may be erected there; because, millions of Londoners can reach the spot easily in L.P.T.B. vehicles and over roads maintained by the local authority, while millions more can come by the railways that converge on the capital city; because anyone living or working on that site has the benefit of public water supplies and the like, the protection of London's police.

These advantages, thanks to which the landowner can get his £235,000, are not the creation of the landowner; they are due simply to the presence and activities of the community around. But to the growth of this community, to the maintenance of its activities, the landowner (as such) has contributed nothing at all.

As the owner of land he pays not one single penny in rates or taxes towards the cost of the public services from which he reaps the benefit.

If he uses his land, however—for example, to build a house—he immediately becomes liable for rates, and the better the house he builds the more rates he will have to pay. When we see a bricked-up window we think how stupid a tax it was which induced people to deprive themselves of light and air to avoid payment, yet to-day we levy rates not only on windows but on walls, on chimneys, on plumbing, on everything that goes to make a house worth living in. A man improves his dwelling by adding a bathroom or a garage and is promptly fined for so doing by an increase in his rates.

This isn't fair and it isn't sensible. We simply can't afford to go on penalising people for building, while making things easy for the chap who keeps his land out of use and just waits for its value to go up and up.

What we ought to do is to take the rates off the buildings—thereby making it cheaper to build—and put them instead on the value of the land—thereby encouraging the owner to meet this charge either by using the land himself or by letting it to someone who will. We should do justice by taking for the community the value which the community has itself created, and we should encourage efficient use of our resources.

Though it is wise to start by transferring rates from their present basis on to site values, there is no logical reason to stop there. The value of land anywhere is affected by the activity of people everywhere, and should therefore make its contribution to national taxation, and indeed—when we reach that stage—to the revenue of the world government.

This is the more evident when we consider to what a large extent the State is taking over responsibilities

which used to rest on the local authorities.

The public services, which add to the value of a plot of land—roads, water supply, police, and what not—may nominally fall on the rates, but in fact they are paid for to an increasing extent out of grants raised by the State in taxation and handed over to the local authority.

Why should not that money also be raised by the taxation of land values? Of course, it should.

For both rates and taxes the case rests on the fundamental idea that what a man makes by his own labour is rightfully his own, while what the community at large has made rightfully belongs to the community. . . .

It is so easy to tax land values. No "snoopers" are necessary, for land cannot be hidden. No question of compensation arises, any more than if we decided to tax cats or bicycles. There need be no violent upheaval, for the change can, if we think fit, be gradual—confined in the first instance to rates or starting with a very low tax. It certainly involves a valuation, but the government does already propose a national valuation of rateable property in order to even out the burden between rich and poor towns.

The rating and taxation of land values would help us to get houses built in the towns, but they would also help the country.

For one thing, farm workers need houses as badly as anyone, but the user of land that is not built on would also benefit—instead of paying ground rent and taxes he would pay his ground rent (or part of it) to the State or local authority and cease to pay a tax on his equipment or his earnings.

The path of the farm labourer who wants to own his farm would be eased by a tax which constitutes an inducement to sell instead of an inducement to hold land as a speculation.

As the seeker of independence in farming would be helped, so also would be enterprise in other fields. Relief of taxation on earnings or equipment helps every enterprise; a tax which has to be paid whether the land is used or not checks the rapacious owner who holds nature's gift out of use until someone pays him a king's ransom.

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It is well to see this pronouncement in *Liberal News*, organ of the official Liberal Party. It is Miss Lakeman's challenge, we think, to the party managers and policy-framers for the party to acknowledge that she is no "voice in the wilderness," but speaks for them as well.

TENNESSEE AND JORDAN VALLEYS

DR. BERNARD ASCHER, licensed land valuer and advocate in Haifa, has sent us a copy of his letter, July 20th, to the Royal Economic Society, in which he wrote:—

"I must apologize for my dealing with the following matter, though I am neither an Englishman nor even a member of the Society, and though this matter seems not to concern me. But in fact it does. For the Tennessee Valley Authority will be taken as a model for our future Jordan Valley Authority as well as for any other scheme of importance.

"An American writer (H. Massue, *Factual Analysis of the T.V.A.*) criticises T.V.A., saying, *inter alia*, that the official and privileged T.V.A. fails to pay the taxes which a private enterprise ought to pay. Your reviewer (*The Economic Journal*, March, 1947, p. 145) criticises this writer, saying that the inhabitants and enterprises of the valley are earning more than before, and pay—or