

## CHAPTER II

### THE VALUE OF LAND

*" Every permanent improvement of the soil, every railway and road, every bettering of the general condition of society, every facility given for production, every stimulus supplied to consumption, raises rent. The landowner sleeps but thrives. He alone, among all the recipients in the distribution of products, owes everything to the labour of others, contributes nothing of his own. He inherits part of the fruits of present industry, and has appropriated the lion's share of accumulated intelligence."*  
—Prof. THOROLD ROGERS (1870).

*" Sic vos non vobis mellificatis apes."*<sup>1</sup>—VERGIL.

THE value of land varies from place to place, and from time to time.

A plot of bare land, large enough to carry a cottage with its garden, might still be had for the taking in some parts of the world; could be bought for a quite small sum in a remote village; would fetch a much higher price in a market town; and would be "worth a King's ransom" if it were situated in the heart of London. On a vacant site in Aldwych, Strand, London, model cottages were built, for exhibition purposes; building cost £225; estimated rent in the Home Counties, 10s. a week, and 8s. 6d. in country districts. A person who thought these cottages were for occupation, asked particulars as to rent. Mr Maurice Webb, F.R.I.B.A., told him that the rent, *in view of the value of the site*, would probably be about £1,000 and the rates!

In spite of extensive rebuilding in London during recent years, there are still many instances of houses, built centuries ago and occupied till the present day. Although the houses are very old and in many ways out of date, their history shows that, as successive leases "fell in," there has been a great and progressive increase in the rental which has had to be paid by their occupants. As buildings depreciate with age and use, clearly this increase

<sup>1</sup> So do ye, O bees, make honey, but not for yourselves.

cannot correspond to any increase in the value of the buildings, as such; they may even be fit only for demolition. It merely registers the increase, in process of the years, in the value of the land upon which the structures stand.

A piece of land in Shepherdess Walk, on the border of the City of London, belonging to the Governors of the Bishopsgate Foundation, had an area of 147,500 sq. ft. Here is its history:—

	£	s.	d.
1664—Purchased for £200 (=annual rent of say) ... ..	11	0	0
1754—Rent on 60 years' lease (per annum) ... ..	20	10	0
1816—Rent on 21 years' lease (per annum) ... ..	500	0	0
1837—Rent on 60 years' building lease (per annum) ... ..	490	0	0
1898—Rent on 91 years' lease (per annum) ... ..	3,500	0	0

The Receiver of the Metropolitan Police, requiring about one-fourth of this land (39,076 ft.) for a police station, was condemned by a jury at Red Lion Square to pay £33,166 for it.<sup>1</sup>

The Mansion House, official residence of the Lord Mayor of London, stands on a plot of land held on perpetual lease, since the latter part of the 18th century, at a ground rent of £10 a year. This site is now valued at nearly £2,000,000. "The City of London spent £3,787 of Elizabeth's money in acquiring and clearing the site of the Royal Exchange."<sup>2</sup> What is that site worth now? Plots of land in its immediate neighbourhood have been sold in recent years at rates varying between £5,000,000 and £6,500,000 per acre.<sup>3</sup>

<sup>1</sup> *Land Agents' Record*, March 18th, 1899, p. 379.

<sup>2</sup> W. G. BELL, *The Great Fire of London in 1666*.

<sup>3</sup> The *Daily Mail* (May 10th, 1934) gives particulars of the Berners Estate in West London. Twenty-five acres, bought as a chance speculation 260 years ago for £1,000, are now valued for probate at about a million pounds. The Foundling Hospital Estate, Bloomsbury, was bought in 1740 for £7,000 and sold in 1926 for £1,500,000.—(*Times*, July 3rd, 1934.)

The Bureau of Labour Statistics for the State of Illinois published in 1894<sup>1</sup> a detailed economic history of a plot of land, on the south-west corner of State Street and Madison Street, which was then considered the most valuable quarter-acre plot in the business centre of the City of Chicago. It was once part of the raw prairie land on the shores of Lake Michigan. In 1830, when Chicago was a frontier post on the outskirts of civilization, with a population of 50 souls, this quarter-acre was sold for 20 dollars. In 1894, the population had increased 30,000 fold (to 1,500,000) and the value of the land, apart from the buildings upon it, had been multiplied by more than 60,000 (\$1,250,000). Averaging the earnings of an unskilled labourer at a dollar and a half a day, for 300 days a year during the 64 years, such a labourer could have earned the original purchase money of that quarter-acre in 13½ days. In 1894, its price would have swallowed up the total wages of 2,777 labourers for a year!

About the same time, a Chicago "realtor" (land agent), advertising vacant plots for sale in Chicago, told at least a part of the truth about these amazing land values. He wrote :—

" Chicago land is worth more to-day than it was yesterday, last week, or any day in its entire history. ' Why is this ? ' asks one ; ' surely Chicago is flat and muddy enough ! ' That is true : but, dislike the City as we may, it is lying in the pathway of nations at the cross-roads of commerce. . . . It is the great distributing centre for the American continent. It is here that fruit products, building products, and manufactured products come together, and are then scattered to the four winds. It takes men by the millions to handle these products, and men are synonymous with population. *It is population that makes [land] values ; as population increases, values must increase.*"

It will be noted that it is the people, and not the landlords, who, in the opinion of this expert in the sale of land, give its value to the land of Chicago. The political economists have nothing to teach the land agents on this subject, as a study of their advertisements, or of the daily " Estate Market " column in the *Times* will readily show. But it is not only in the language of advertisements that these professional experts throw light on the genesis of land

<sup>1</sup> *Eighth Biennial Report* (1894). Second edition (1896), p. 277.

values. For instance, Mr John Hepper, F.S.I., F.A.I.,<sup>1</sup> dealt with the City of Leeds, with special reference "to such matters as combine to make or affect stability and value." He quotes many instances of increasing land values "all over the commercial centre of the City." He tells us of the increasing population of Leeds; a collection of people, industrious, skilled, receptive, intelligent, careful and saving, adaptable to altered circumstances. The City, halfway between London and Edinburgh and between the eastern and western coasts, is "seated at the convergence of systems of road, rail and waterways of unsurpassed centrality"; it "is one of the most convenient distributing centres in the kingdom." It is on the main lines of several railways and so, like Chicago, is "at the crossroads of commerce". Its manufacturing areas are level, reducing the cost of cartage to a minimum. Lovely country resorts lie within easy reach. On the edge of the Yorkshire coal-field, it has coal, ironstone, fireclay, brickclay, building stone, within its limits or near its borders. A good municipal government has provided municipal buildings, markets, library, art gallery, parks, allotments, baths, excellent roads, tramways, gas, electricity, water, sewers, dust destructors, a large sanitary depot, municipal hospitals for contagious diseases and burial grounds. And among the results of all these things, Mr. Hepper records that land which was offered in 1862 at about £6 10s. per sq. yd. was sold in 1893 for £30 a sq. yd.; land near City Square sold in 1897 at £75 a sq. yd.; an offer (refused) of £135 a yard for land bought 28 years earlier at £27; and so on.<sup>2</sup>

<sup>1</sup> See *Leeds: from a Surveyor's Point of View (Land Agents' Record, March 18th, 1899)*. Paper read before the Leeds and Yorkshire Architectural Society; and *Movements of Values in Freehold Urban Districts, with Special Reference to Leeds*. Paper read before the Yorkshire Branch of the Surveyors' Institute. (Leeds: Alfred Cooke, 1895.)

<sup>2</sup> This kind of thing has been going on continuously since Mr. Hepper wrote. For instance, vacant land sold in Briggate (1903) at £121 per yd.=£585,640 per acre (*Land & Liberty, May, 1925, p. 100*); land bought for sewerage purposes (1910) at 125 years' purchase of the rent (£1,000) (*Ibid.*, September, 1910, p. 85); agricultural land worth 3d. to 6d. a yard at once appreciated to ten times that value when the Corporation roads developed the district (*Yorkshire Evening Post, December 17th, 1923*); 413 sq. yds. in

This well-informed expert in land valuation thus told his colleagues, a generation ago, of the high and increasing land value of the town he knew so well. He explained that these values are due to the natural advantages of the position of Leeds, to the minerals within its borders or within easy reach, to the way in which the people of Leeds, through the agency of its elected Corporation and the expenditure of the rates, have utilised and improved the natural advantages of its site. The land values, thus created, maintained and increased, go to the landlords, to whom one might reasonably expect some reference in this story of their origin and growth. All that Mr Hepper has to say about them is: "the expansion of the City is not trammelled and hindered by great landlords, who will only sell or lease on their own terms." Land values, other things being equal, increase whether a City has one or many landlords.

Take, again, the case of London with its enormously inflated land values.

Like Chicago, it owes its commercial importance to its position "at the cross-roads of commerce" on the River Thames. The Roman roads, which radiated from it, made it, in early times, accessible from the rest of the country. Its tidal river gave it access to the Continent. "If the Thames were only a common river, or too tideless, or too difficult of access . . . or if, with all the river's splendour of facility, 'the City' had seated itself on any other hillock by its brink, Hammersmith would have now been as Canvey Island, and the wide building lands for ever the meadows and plough-lands of a heathside village." So wrote Mr. Thomas Blashill, a former Architect to the London County Council.

When Charles I threatened to ruin London by removing the Royal Court and Parliament to Oxford, the Lord Mayor is said to have replied: "Your Majesty cannot take the Thames with you." The natural gift of the Thames has been improved at enormous cost by private enterprise, and much more by the expenditure of taxes and rates, by embanking and dredging, by the making of numerous

Guildford Street, sold about 1815 for £1,343, in 1860 for £2,085, in 1925 for £10,600=over £124,000 per acre (*Land & Liberty*, June, 1925, p. 117).

wharves and many magnificent docks, till it can be said of Woolwich, which sits on both its banks, that "more wealth passes through Woolwich than through any other town in the world."

London, owing to its situation, would, in any case, have become, in process of time, a great seaport, like Liverpool or Bristol or Hull. The removal of the Court from Winchester to the banks of the Thames made it the Capital of the Kingdom and, later, of the Empire. Even when Stow wrote his *Survey of London*,<sup>1</sup> "by way of apology (or defence) against the opinion of some men which think that the greatness of that City standeth not with the profit and security of this Realm," Elizabethan London was still mainly enclosed within its walls and gates. The commercial population had indeed overflowed into Bishopsgate Ward Without, Farringdon Without, and Bridge Ward Without (Southwark), and there was a suburb at Westminster, where the great Abbey, the Royal Palace and the Law Courts (in Westminster Hall) had attracted a large population on and around Thorney Island. Westminster was connected with the City by the Strand, lined with the palaces of nobles and ecclesiastics, after whom many of the neighbouring streets are still named. The great Metropolitan Boroughs, which now, with the Cities of London and Westminster, make up the oddly-named "County" of London, were then mere villages or hamlets scattered over the surrounding country districts of Middlesex, Surrey and Kent. We find little mention of them in Stow's *Survey*.

The growing commerce of the City so increased the demand for office and warehouse room in the narrow streets of the ancient walled City that the merchants ceased to live over their shops, and rode out to their mansions in the open country, while their apprentices and employees no longer "lived in"—sleeping in the attics or under the counters—and had to find lodging elsewhere. Along the River eastward, new suburbs grew up (the "Tower Hamlets") as the trade of the Docks increased. The working population has been continually swelled, especially since 1851, by migrants from the agricultural districts, seeking work, and

<sup>1</sup> First Edition 1598. Reprinted in Dent's "Everyman" series.

settling mainly in the "East End." The population of Greater London is now larger than some of the Sovereign States of Europe can boast, larger even than that of the continent of Australia<sup>1</sup> with its seven Parliaments.

This amazing growth of population has had two very obvious and closely related effects. It has been the cause of an enormous increase of land values in and around the City, and it has given rise to municipal problems of the greatest magnitude, urgency and costliness.

The City had its ancient Corporation, once the champion of popular liberties, even against Kings; but the suburban parishes, which surrounded it on both sides of the river, and housed most of its workers, were still governed by their Parish Vestries. In 1855, a central governing body, indirectly elected by the Vestries, was given to the City and its suburbs in the form of the Metropolitan Board of Works "for the management of public works in which the Metropolis has a common interest." The Board carried out some great improvements—*e.g.*, the construction of a system of main drainage for the benefit of the public health and the purification of the Thames, the making of the Thames Embankment, etc., etc., but it became so flagrantly corrupt that it was superseded in 1888 by a new, directly elected central authority, called the London County Council. The City, though included in the "County," still kept its Corporation. The suburban parishes outside the City became 28 "Metropolitan Boroughs" under an Act of 1899: their Councils are rather overshadowed by the L.C.C., but they all have important public services to administer, and each of them serves a population comparable in numbers, but not always in local patriotism, with the population of the great provincial County Boroughs. The work of the Metropolitan Asylums Board (1867), of the London School Board (1870) and of the local Boards of Guardians of the Poor has, by later legislation, been handed over to the London County Council.

<sup>1</sup> County of London (1931), 4,397,003; Greater London (1931), 8,203,942; Australian Commonwealth (estimated 1932), 6,549,076; Denmark (1930), 3,550,656; Norway (1930), 2,814,194; Portugal (1930), 6,234,529; Greece (1928), 6,204,684; Scotland (1931), 4,842,554.

London's governing Councils, central and local, have carried out numberless works of municipal improvement to make and to keep this great City a healthier place to live in, a better place to work in, and an easier place to get about in. The ratepayers provide the money to pay for these improvements. The landlords, or the agents who look after their interests, estimate pretty accurately what these improvements are worth to those who wish to live where they can enjoy them, and they fix their rents or prices accordingly.<sup>1</sup>

Let us take only one example of what the municipality has done to increase the value of London land.

The natural position of the City on the Thames with its world-wide commerce; the selection of London as the capital, which has made it the seat of the National Government and of the Supreme Courts of Law, and the starting point of a great railway system; the maintenance by the State of the Royal Parks, the National Gallery, the British and other great Museums, and of great opportunities for employment like Woolwich Arsenal, and so on: these have attracted a huge population, only rivalled by that of Greater New York. Yet the site of London is not naturally a healthy one. It was originally a swampy river valley, and has only been made healthy by a huge expenditure of the ratepayers' money on the creation and maintenance of a wonderful system of main drainage and local sewers, which, coupled with an abundant supply of pure water, for domestic and industrial purposes and for street cleaning,<sup>2</sup> help to make London one of the very healthiest of great cities. Yet the time is not very distant when the City drained its sewage into the Fleet River and so into the Thames near London Bridge, and drew some of its water for domestic use from the same sources or from "conduits" in Holborn and Cheapside. The cesspool and the surface well, with its liability to pollution, may be con-

<sup>1</sup> The question of London Land Values is discussed in some detail in *The Crying Injustice of our Rating System, and the Remedy* by the present author. See also his *Land, Industry and Taxation* (1914). *o.p.*

<sup>2</sup> The Metropolitan Water Board supplies 7,000,000 people through 7,659 miles of water mains.



sidered tolerable in a small village; they are unthinkable in a great modern city.

Suppose that the London sewerage system or water supply were to be so neglected as to be entirely put out of action. In a few weeks,—sooner in the summer, a little later in winter—pestilence would stalk the streets. Those who could afford to do so would flee from London. Those who could not do so would be decimated by the plague. No one would visit the city for pleasure, nor, if he could help it, on business. What would then be the value of the London sites from which the great London landlords collect their huge ground rents? Yet it is more than doubtful whether any of those who claim to own so much of the “bottom side” of London ever give a thought to the debt they owe to the humble workers, who spend their working hours underground with the sewer rats, regulating the flow of London’s drainage, and are sometimes liable to be swept away when a torrential downpour of rain suddenly fills the sewers with a raging torrent. Still less, probably, does it ever occur to them that they ought to pay the community for the benefit conferred upon them, in maintaining and increasing the land values which the community by its presence, activities and municipal expenditure confer upon the land from which they draw an income which they can in no sense be said to earn.

“It is population that makes land values.” As population increases in numbers and industry, so do the governmental expenses, local and national, of the population increase. Publicly created values, by their nature and origin, are clearly indicated as the national fund from which public needs should be met. Land values are the natural “National Dividend,” earned by the people, but, at present, appropriated by the landlords. Major Douglas need look no further for the “National Dividend” which he seeks to obtain by the manipulation of credit.<sup>1</sup>

<sup>1</sup> On the Douglas Social Credit Scheme, see W. R. LESTER, M.A., *Poverty and Plenty*. (Hogarth Press, 1935.)