

LAND & LIBERTY

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LAND SPECULATION: THE REMEDY

THERE IS a growing feeling that if anything is to be done to improve social conditions after the war, then something must be done about the land question. This has made itself felt during the discussions on the War Damage Bill which contains provisions intended to safeguard the public interest in regard to property which has suffered damage. These provisions are vague in character, and it is doubtful how far they may be effective. Their object is to prevent rebuilding upon sites which require to be replanned in order to give wider streets or less congested and unhealthy development, until steps have been taken to secure the improvements required.

Similar ideas have been expressed in relation to the Committee which Lord Reith, the Minister of Works and Buildings, has appointed to advise him regarding planning questions. This Committee no doubt has a wider scope than merely to examine the problem in relation to areas which have suffered war damage. It must be remembered that the area which has suffered total destruction of property is but a small fraction even of that where damage has been caused, for in most cases the damage is reparable (and the War Damage Bill contemplates that it will generally be repaired), and it is a still smaller fraction of the whole built-up area. War damage is only an incident which does not alter the main problem, which still remains and must still be solved irrespective of what has happened during the war.

The point upon which attention has been focussed is that of land speculation. It is seen that the prospect of replanning and public improvement in areas which have been severely damaged will lead to increase of land values and that prices will rise. Some of the comments imply that the difficulty is to be met by a "stand-still" order preventing people from buying and selling such land. This is an inadequate and short-sighted view of the matter. It is not the speculators who cause an increase in land values by buying or selling land. It is the prospect of increased land values which induces men to pay higher prices and the owners to ask higher prices. The speculator is rather the result than the cause. To prevent buying and selling of land will not prevent the land value from going up. It will merely mean that the existing owner instead of realising the increased value now by selling to another will realise it later by building on the land himself or by leasing it or in some other way. We cannot prevent land from being used and if it is used the value will be obtained by someone. If we did prevent some land from being used, we would simply aggravate the position by causing the land which was free from this embargo to attain a still higher value.

Neither is it practicable to segregate the cases where war damage and consequent replanning is the cause of rise of land values. The replanning may affect the value of land outside the area in question. Conversely the increase in the value of land in the area replanned may

be due to other concurrent causes as well. The land may have been encumbered with old buildings which were in any event due for demolition within a short time, and the presence of those antiquated buildings may have masked an increase in value which was already taking place. The attempt to isolate the effects of one particular reason for increase of land values can never be successful. The "betterment" provisions which have been incorporated in our town-planning legislation since 1909 demonstrate this, because they have in practice been inoperable. Moreover, it is impossible at present to state with precision how much land values have increased in total at any point, quite apart from apportioning how much of the increase is due to any specific cause. The reason is that we have no general valuation of land to act as a standard of comparison.

For this same reason of the absence of a general valuation of land, it is impossible to secure any effective check upon the prices which have to be paid for land when it is acquired for public purposes. Arbitration under compulsory purchase orders degenerates into a species of lawsuit in which the acquiring authority puts forward a value far lower than it expects to pay and the vendor asks a price far higher than he expects to receive, and the arbitrator fixes the value at some intermediate point for which he wisely gives no reasons. Any effective valuation must be general and comparative, and to be properly controlled it should be used as a basis of taxation. Universal experience has shown that this is the only way in which a valuation approaching to the truth can be obtained. This is the first step towards protecting the public interest.

As to speculation, there are two distinct aspects to be taken into account. The one is to prevent land from being held out of use waiting for an increase in value; the other is taking the increase in value away from the speculator or preventing him from ever reaping it.

By far the best means of preventing valuable land from being kept idle is to impose a tax on the value of land apart from improvements. Even a moderate tax will have a discouraging effect. It will squeeze out some of the weaker holders, and as land comes into use the prospect of other speculators being able to realize the profit they anticipated diminishes. As the rate of tax is increased from time to time, which it very properly may be, the pressure upon speculators who are holding land out of use becomes stronger. Indeed the mere anticipation of an increase in the rate will have a distinct effect. The advantage of this method of discouraging speculation is that it strikes at the root of the evil. By forcing land into use and increasing the available supply it operates towards reducing land values. Moreover it exerts a uniform and systematic pressure which no *ad hoc* method of attacking individual transactions can possibly do. It exerts pressure in those cases where land is used but the development is inadequate to the site value. The cases of under-use of land are possibly far more numerous than those of overt non-use, but there is no practicable way of dealing with them except by taxation of land values.

As to the second aspect—taking away the increase of value from the speculator or preventing him from reaping it—we see that the taxation of land values will do both, and to an increasing degree as the rate of tax is raised. It is true that it will also take a portion of land value for public revenue from persons who would not be described as speculators, but it is impossible to define who is or is not a speculator. Was the late Duke of Bedford a speculator when he decided to sell his Covent Garden estate to a syndicate, or were the syndicate speculators, or were the ultimate purchasers? There

is no hard and fast line between a purchase for other purposes and a purchase with the intention of reselling at a higher price. In any case, land value is not due to anything that the individual owner does, it is due to the community as a whole, and that is the justification of marking it out as a special subject of taxation. Attempts to apply the tax to particular classes of land or to cases in which land increases in value have always led to adminis-

trative difficulties and to unfairness and injustice. The proper course is to follow the principles of economics and justice by treating all land in a uniform fashion and requiring it all to contribute to taxation according to its value as ascertained by frequently revised valuations, and correspondingly relieving buildings and improvements from the taxes now laid upon them.

F. C. R. D.

CIVILIZATION AND LIBERTY

THE WORDS which form the title of Mr Ramsay Muir's book* are very much in our minds to-day, and it is useful to have a work which outlines so concisely the history of these ideas of civilization and liberty and the growth of the institutions which embody them. It is difficult to define what we mean by civilization. Mr Ramsay Muir says he means by it "not merely mechanical improvements, and greater speed and comfort of living, but a form of social organization in which men and women, thrown into close relations, are enabled by their diverse gifts to enrich and enlarge one another's lives." To some of us the first part of this is irrelevant. Mechanical improvements are merely tools which may be used for good or ill, speed of living is not an unmixed blessing, and comfort, while it may be desirable, is hardly of the essence of civilization. No, civilization surely consists in that state of society in which men are able to direct their thoughts and their actions to whatever end they please; that is to say, not some men, a privileged few, but all men; and this implies, as we have all learned, that the freedom of each individual is limited by the equal freedom of every other. Yet that apparent limitation is hardly in fact a limitation, for men in a free society can only attain their own ends by serving, in part at least, the needs of others. Such spontaneous and mutual service provides the means by which every one can attain to far greater satisfaction of his individual desires than could be had under any system of coercion. Thus, the apparent limitation of freedom by the freedom of others means in the end more freedom and not less.

It is impossible to define civilization except in relation to liberty, for it is only in liberty that men "are enabled by their diverse gifts to enrich and enlarge one another's lives."

Mr Ramsay Muir's book is pleasantly written and interesting. Indeed it is written with too much facility by a mind which is too well stored. In regard to France under Louis XIV he talks of "enlightened despotism at its apogee," of "Colbert's remarkable achievements" in fostering industry and agriculture, and yet almost in the same breath he says that these enterprises "were bound by Government regulations and dependent upon Government subsidies," and so much so that when "Government help was withdrawn they rapidly flagged." The fact is that the policy of monopolies, subsidies and restrictions impoverished the mass of Frenchmen for the benefit of a few. The rise of the school of the physiocrats was an enlightened reply to this false policy, but its influence was not strong enough and the revolution came to wipe out many of these evils by force and blood. Mr Ramsay Muir is a free trader and devotes some eloquent passages to the advantages of that policy, but he does not see the importance of freedom of trade within a country although that depends upon precisely the same principles as freedom of trade across national frontiers. Thus he accuses the physiocrats of inability to see the evils of "unregulated competition."

A somewhat similar blindness obsesses Mr Ramsay Muir in dealing with the "industrial revolution" in England. He says that "the government of the Whigs

was, in fact, an oligarchy of great landowners. But this was not so unhealthy as it sounds, because Britain was still an agricultural country, and there were no sharp cleavages, as yet, between the grades of agricultural society, the magnates, the squirearchy, the yeomanry, and the peasantry." And again, "before it was turned upside down by the Industrial Revolution, Britain was a reasonably happy and orderly land." It is surely a mistake to place the emphasis upon the industrial side of the changes which took place in this country at the end of the eighteenth and the beginning of the nineteenth century. The mere invention of new machines and methods of production which enabled wealth to be produced more cheaply and abundantly was not the cause of the degradation, squalor and starvation of the great mass of manual workers. An economic revolution of another kind was taking place. The enclosures were proceeding apace. Men were being deprived of their remaining common rights to the soil which assured them at least a modicum of independence and subsistence. It was thus that the class of wage-earning operatives became "much larger now than it had ever been before, and growing year by year." So it came about that new methods in industry and in agriculture "increased especially the wealth of the ruling class of landowners, who drew great revenues from the increased production of their farm-lands, and from the ground-rents of the new towns, and the royalties which they demanded for every ton of coal extracted from their land." Was not this the effective cause of the growing disparity of wealth?

Coming to our own times Mr Ramsay Muir speaks of "changes in the methods of industry which were of such importance that they deserve to be described as the Second Industrial Revolution," and by this he clearly means changes of technique due to scientific discovery. He then goes on to refer to the unequal distribution of essential minerals throughout the world, to the fact that industries were tending to pass under the control of great combinations, to the divorce of control from ownership, and similar matters which constitute social problems. Yet none of these things is the result of technical development or scientific progress. The ownership of the land and the minerals it contains, and the formation of joint stock companies are regulated by the laws of each country; they are the results of institutions, and not of inventions. These institutions tend towards restriction and monopoly. The departure from *laissez faire, laissez passer*, which Mr Ramsay Muir dates from a century ago and which he rejoices in as saving us from the evils of "unregulated competition" has brought in its train an amazing growth of restrictions and regulations behind which monopolies are formed and flourish. They take not merely the form of tariffs, subsidies, quotas, exchange regulation and similar protective devices, but also systems of restricting production of cotton, coal, and other commodities, of limiting the number of vehicles which may carry goods or passengers, and still more subtle devices for enabling a few to rob the many. A new school of physiocrats is needed to expose these dangers, and to show that freedom is still the remedy and monopoly the evil.

*CIVILIZATION AND LIBERTY. By Ramsay Muir. Jonathan Cape, Ltd. 2s. 6d.