LAND VALUE RATING CRITICIZED

A Picture Theatre on 44 Square Feet of Land

The LAND NATIONALISER for February was entirely devoted to a two-page article by Mr. Joseph Hyder contending that the Rating of Land Values, where it has been adopted, has failed to cheapen land or to cause land to be put to its best use. Where land value is rated land is dearer than where land value is exempt. Speculation has not been checked nor modified.

These are the allegations, and some of the arguments and assertions by which they are supported may be examined.

The most misleading is the use made of the report of an article appearing in the GLASGOW HERALD of 12th June last. "A city site in South Australia," says Mr. Hyder, quoting the GLASGOW HERALD, "was sold for £233 per foot, which is at the rate of £10,149,480 per acre, or far higher than the highest ever recorded even in the City of London. This does not look much like 'knocking the bottom out of land monopoly.'" No. All it looks like is the multiplication of £233 by 43,560, the number of square feet in an acre. Mr. Hyder is the victim of a misprint as well as of a slovenly reading of the case. The GLASGOW HERALD said that the price was equivalent to £1,233 6s. 8d. per foot, and the calculation really works out at £54,722,548 per acre. The Rating of Land Value has presented fabulous millions to the landowner! Perhaps it is as well to recall the GLASGOW HERALD citation. There is surely something wrong. It stated that the land was bought as a site for a palatial picture theatre to seat 2,350 persons, that the whole site changed hands at £55,000, and that Adelaide was the city referred to. It is necessary to give the details if we are to follow Mr. Hyder's methods and conclusions. If the price of the site is divided by the alleged price per acre, the result will be the area of the site. It works out at 44 square feet, and upon that site a palatial picture theatre is to stand! At Mr. Hyder's misquoted price "per foot," the area works out at 236 square feet, but that won't hold a picture palace theatre either. If the calculation of the monstrous millions had been checked by the data we have given, Mr. Hyder might have been saved making the elemental and ridiculous blunder of confusing square feet with feet of frontage. For that is the explanation of the alleged dear land in South Australia exceeding anything ever recorded "even in the City of London." A little care should also have caused Mr. Hyder to notice that the land was situated in Adelaide; but that would have been awkward, since in Adelaide rates are not imposed on land values. *Rates are levied on the annual value of land and improvements.*

Mr. Hyder handles other figures with no greater discretion. Has the Rating of Land Values been a success in New Zealand? Emphatically not is his contention. And he proves it by stating that in twenty years land values rose by 81 millions and improvements by only 50 millions. The figures lead to no conclusion, because it cannot be maintained by them that there would have been no increase, or a smaller increase, in the value of land if it had been exempt from taxation. In any case the figures are wrong. Official statistics show that between 1902 and 1919 land values increased by 181·1 millions, from 94·8 to 275·9. Improvement values increased, by 109·5 millions, from 60 to 169·5. We make Mr. Hyder a present of the 181·1 million increase. It is actually 100 millions more than he claimed was the evil effect of the Rating of Land Values.

A controversy conducted with figures, which are only the expression of effects likely to be due to a number of causes, is apt to be wearisome and elusive. Mr. Hyder says Land Value Rating has been in operation in New Zealand since 1896. Not so. In 1896 an Act was passed enabling local authorities, if ratepayers so demanded, to put some rates on land values. In 1911 a further Act was passed extending these powers to all rates. At first a few local authorities began to rate land values. The number grew year by year, and at the present date 167 authorities, including 66 of the 118 boroughs and 41 of the 125 counties, have adopted the new system. It is not likely that one place after another would go on adopting Land Value Rating, and at their own option, if there was anything so disastrous resulting from it as the awful effects alleged to have arisen in South Australia. The growth in land value has been a natural result of the growth of population, but at the same time there has been a tremendous increase in improvements. In the towns alone, whereas land value increased in the last ten years from 49·1 to 72·6 millions (increase 23·5 millions) improvements increased from 47·9 to 76·4 millions—increase 28·5 millions. The increase in improvements was greater not only absolutely but as a proportion. The value of land, relatively to the value of improvements, declined.

In the 40 Sydney metropolitan suburbs Land Value Rating was adopted in 1908 for all rates except those levied for water and sewerage. In the "City" portion of Sydney, Land Value Rating was initiated in 1909, and since 1916 all the City rates have been levied on land value only. In the City, as in the suburbs, water and sewerage rates have always been, and are still, levied on the annual value of land and improvements. Mr. Hyder's observation is that, although the bulk of the revenue required is derived from land value rates, the assessed land value has increased in ten years (1908 to 1918) by 26 million pounds. As it happens, population in the same period has increased by 185,040; and improvements, according to assessment returns, have increased to the extent of 57 million pounds value—significant figures which Mr. Hyder has overlooked or suppressed. Relatively to population, the progress of Metropolitan Sydney in the years 1908 to 1918 has been accompanied by an increase of land value from £74 to £90 per head, and by an increase in value of improvements from £90 to £142 per head. The N.S.W. Quarterly Statistical BULLETIN confirms the phenomenal increase in improvements (houses, shops, factories, etc., and additions to these) by reporting new buildings and improvements in Sydney to the value of 49 million pounds between January, 1912, and June, 1920. Is there any town, are there any ten towns taken together, in the United Kingdom where building has made the same progress?

Mr. Hyder, consulting the "most recent official year-book of New South Wales," discovers that the recorded assessments of the "City" portion of Sydney show that land value increased in 1918 as compared with 1917 by £750,000, whereas (so he alleges) the value of improvements increased by only £51,000. If he had compared 1917 with 1916, the year in which the City of Sydney concentrated all City rates on land values, he would have found that the land value "in one year" had diminished by £38,536 and value of improvements had increased by £1,750,076. These figures were available to him as they are to us, but he ignores them and chooses just what, by accident, happens to suit his case.

A careful and impartial investigator does not handle statistics in that fashion. He would bring a series of years under review to see if there was any relation of cause and effect. He would realize that in respect of assessments for taxation he is working with a factor which is subject to revision; and above all he would (in this case) take account of the circumstance that valuations are not made annually in the City of Sydney but only once in three years. The periodic valuation is the basis of assessment until the next general revision; but in the intervening years various alterations or additions are made as occasion demands—just as in London supplemental assessments of particular properties may be made between the dates of the general quinquennial valuation. All these considerations are set aside by Mr. Hyder, and even so he fails to make the most of his opportunity; for the records of the City of Sydney show that "in one year" (1918 as compared with 1917) the value of improvements actually decreased by £698,787. What a chance missed to prove that Land Value Rating has been a real disaster to the City!

A corrective to the misuse of figures and to the arguments built on quite incomplete data is afforded in the official statement signed in 1912 by 90 mayors and aldermen of the Sydney metropolitan suburbs, after four years' experience of the operation of Land Value Rating:—

"The system of rating on unimproved value has . . . stimulated the building trade, employment is more constant, and business generally is on a much sounder footing. It has induced a number of ratepayers to build, or dispose of land which they were not able or willing to use themselves. . . . It specially benefits those ratepayers whose use of land is most effective and creditable to the municipality, while it has put effective pressure upon a number of owners of idle or partly used land to change their tactics."

But Mr. Hyder asserts that Land Value Rating "fails as a means of securing that land shall be put to its best use."

In the pamphlet Land Value Rating particulars were given of the assessment of a number of cities where land is valued separately from improvements. The lessons to be learned from them are (a) that land and improvements can be and are separated by systematic valuation; and (b) that the land value is found in every case to be a sufficient source for the payment of normal public services. The cities named included New York, Boston, and Cleveland, where the land value is respectively £174, £194 and £158 per head of population. The facts were produced as an answer to the assertion of the City Treasurer of Birmingham that the land value of Birmingham was worth not more than £30 per head—an assertion supported by no data of any kind and intended to prove that rates levied on the value of land alone could not possibly yield the revenue required. But Mr. Hyder accepts the figure, argues that land is *therefore* cheaper where it is exempt from taxation, and draws the unwarrantable inference that land is dear in New York, Boston and Cleveland because there the whole burden is placed upon land value. The truth is that these cities *value* land apart from improvements and tax both land and improvements.

Other cities (Brisbane, Sydney, Wellington, etc.) certainly take all or the bulk of their revenues from land values, but the matter in dispute here is not the effect of taxation upon the price of land. The point is that, whatever be the system of taxation, systematic valuation of land apart from improvements reveals information about the value of land which stultifies any contention or guess that the land of Birmingham is worth only £30 or less per head of population.

We are not concerned to answer all Mr. Hyder's assertions nor to discuss his own proposals, including as they do the strange admission that "land ought to be taxed at its true value." It is sufficient to show how he has mishandled the official statistics where he sought evidence, seeming to support the contention that land ought *not* to be taxed at its true value.

Two further remarks, however, may be made. The allegation that the Single Tax has failed in Canada was adequately disposed of in the pamphlet Land Value Rating as well as in a special article appearing in Land & Liberty of August last. In Canada between 1909 and 1913 there was a tremendous land boom. The population in the cities increased by leaps and bounds and property changed hands rapidly at ever-increasing prices without a thought concerning assessment or taxation. The boom was brought to an end by the incidence of the taxation of land values, and since 1914 all kinds of attempts have been made on the part of landowners to escape their taxes. Very much land has reverted to the cities as common property, and when the story is fully told it proves how the taxation of land values has succeeded in forcing speculators to let go. An interesting chapter in the story is the experience of the Hudson Bay Company which was told in Land & Liberty of September last. That Company has been obliged to put its land to better use, and quite a striking tribute was paid to the incidence of taxation in the speech delivered by the Chairman of the Company at its annual meeting in London on 30th July last: "Energetic efforts are being made to dispose of town site holdings at reasonable prices; a new organisation has been provided for this end." The general position in Western Canada is that assessments have fallen very considerably since 1914. For example in 54 of the municipalities of British Columbia the land value assessment fell from $505,000,000 in 1914 to $355,000,000 in 1920. In the same period the assessment of Edmonton fell from $191,000,000 to $62,000,000; in Calgary from $120,000,000 to $53,000,000; in Regina from $82,000,000 to $42,000,000. There was no great reduction in population in any of those cities; but taxation on the value of land was bearing all the time on the speculators and the price of land has been enormously diminished.

In Queensland the Rating of Land Values was followed by a very considerable slump in land values. The new rating system was adopted in 1890. In 1891, Brisbane, the capital of Queensland, was assessed at a land value of £8,800,000. In 1895 the value had fallen to 5⅜ millions, and remained at that figure till 1902, when the city was enlarged. In 1917 the assessment of Brisbane was only 6⅓ million pounds as compared with £8,800,000, the assessment of the smaller area in 1890. Similar changes are apparent in regard to the whole of Queensland. In 1891 the assessment of land value was 51 million pounds; in 1895 it had dropped to 41 millions, and after that it gradually rose, in sympathy with the increasing population, to 47 millions in 1910, and in 1917 it reached 62 millions. If we were permitted to draw any conclusions from Western Canada and Queensland they would point to the view that the Taxation of Land Values did certainly reduce the speculative price of land.

There is no anomaly or contradiction, as Mr. Hyder suggests, in the contention (a) that the value of land is sufficient for public purposes, and (b) that by taxing land values the excessive and monopoly prices of land would disappear. Rent is always the difference between the productiveness or desirability of any given piece of land and that of the least productive or desirable land to which people must have recourse if they are to live. If land is withheld from use, rent is increased beyond what is necessary or right. Fair rent can only be established under conditions in which there is no withholding of land from use. The Taxation of Land Values would establish these conditions, and at the same time appropriate rent for the benefit of the whole community—in greater degree the more it is applied. What proportion of the total produce rent will make in these circumstances, or what sum of money it will represent, we do not know and need not inquire. All we can do is to accept market values of land as we find them to-day, assess them for taxation, and as we do that, abolish the rates and taxes which penalise and prevent industry. The Taxation of Land Values cannot and would not destroy rent; it would alter the present *standard* of rent and establish a just standard; and by setting free the natural resources it would lead to a large and indefinite increase of production.

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