

LAND IN RELATION
TO THE
INDUSTRIAL
SITUATION.

Address given to the Bradford Business Science
Club by

CHAS. H. SMITHSON

(Chairman, Joseph Smithson, Limited, Halifax),

MARCH 4th, 1918.

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Land in relation to the Industrial Situation.

THERE appears to be a general impression that the Land Question is one which closely concerns the Primary Industries but which has little or no interest for those engaged in the Secondary Industries.

By the Primary Industries I mean those industries like Agriculture and Mining, where Labour comes into direct contact with Nature. The Secondary Industries are those in which the raw materials drawn from Nature are worked up into finished products.

When it is remembered that the Land is the source of *all raw materials* it becomes obvious that anything which obstructs the production of raw materials must equally restrict activities in the Secondary Industries.

The essential thing, therefore, in every department of Industry is that Land should be put to its most productive use. It is especially important to grasp this fundamental fact in view of the industrial situation which will confront us at the close of the War. The two most important aspects of the new situation will be :—

- (1) The absolute need for the fullest possible production of wealth to meet the very heavy burden of Taxation ; and
- (2) The demand on the part of Labour for its full share of the production of wealth—and control over the conditions of employment.

The Land Question has a direct bearing on both of these problems.

Let us first deal with the need for the fullest possible production of wealth. This involves the urgent need for the removal of anything in the nature of an artificial restriction of the production of wealth. There are two very formidable obstacles to production. The first and much the most important is the withholding of land from its most productive use ; and the second is what is commonly called the "ca' canny" policy of the Trade Unions and the restrictions on output of some large business concerns which control a monopoly.

Discussion of Trade Union policy will come in more appropriately when, at a later point, we are considering the "Status" of Labour at the close of the War. Therefore, let us confine our attention at present to the withholding of land from its most productive use.

In the rural districts this evil manifests itself in the power of withholding land from development as Small Holdings ; in the mining districts it shows itself in the power of withholding mining opportunities and in the power of imposing onerous conditions in the shape of Dead Rents, Wayleaves and Royalties ; and in urban areas it reveals itself in the power of withholding building sites from being utilised for houses, factories, warehouses or shops.

This serious interference with the full use of land is further aggravated by our present system of rating, which penalises every improvement and places the heaviest burden on the man who makes the best use of land, and the lightest burden on the man who puts his land to the least use. This manifest absurdity can be removed by the adoption of a reformed rating system which will at the same time encourage the best use of land and break down the power of withholding land from use.

It is just here that the Land Question and the Rating System become a social and commercial proposition of the highest importance. The reformed system of rating which would bring about these very desirable ends has already been adopted with most successful results in some of our Colonies—notably throughout the whole of Queensland and New South Wales, in many parts of New Zealand, and in many of the towns and cities of Western Canada. This new system excludes from assessment any value which arises from any private expenditure of Labour and Capital upon the land, but takes for communal purposes any value which attaches to the land owing to the expenditure of public money on roads, lighting, drainage, water supply, etc., or any value which arises on account of favourable position or other *natural* advantages attaching to the land. This value is made the subject of contribution to public funds *whether the land is used or not*.

This provision in the new rating system makes it unprofitable to withhold land from use, and it would have the same beneficial effect if applied in this country. It is this economic pressure of the rate in bringing land into use which should command the active support of both worker and capitalist for the proposed reform. It is a proposition which has received support from men of all shades of political opinion, and it can therefore be discussed as a non-

party question. Lord Robert Cecil, speaking in the debate on the Finance Act of 1909, said :—

“ I agree that a large number of hon. gentlemen of Conservative opinions have pledged themselves to the taxation of land values. But what for? As a substitute for our existing system of rating, which is a perfectly easy and rational proposition.”

Let us therefore clear our minds of all party bias and discuss the question as a business proposition in relation to the industrial situation. In what follows no charge will be brought against those who take advantage of the present system ; it is the *system itself* which will be made the subject of criticism. To emphasise this point I will choose examples which for the most part have come within my own personal experience. The point we have to consider is what effect the rating of Land Values, *whether the land is used or not*, will have in bringing land into effective use in Urban, Rural and Mining districts.

The first example I will give is typical
Urban Land. of the power of withholding land from building in an Urban area. The land in question is jointly owned by my brother and myself. The land is situated about half way between two important industrial centres and is eminently suitable for building. The price which we are asking for it is between £600 and £700 per acre, and evidence that this price is not considered unreasonable is shown by the fact that occasional plots are sold at this figure. We are in no hurry to sell ; we can afford to wait for our price, *and the present rating system enables us to wait*. The land derives the value from the fact that it is situated between two industrial centres with a good railway service ; that it has the benefit of certain communal services supplied by a public authority in

the shape of good water, gas, electricity and municipal trams ; that it is bounded on north and south by good roads maintained at the public expense, with an existing main sewer into which the property can be drained. These are the factors which give it a value of £600 to £700 per acre, but it is only assessed for its contribution towards the maintenance of these services on the basis of a capital value of £25 per acre.

If the rates were levied on 4 % or 5 % of the present selling price we should be called upon to pay at least £10 per acre per annum. The present rental for its use as accommodation land is 25/- per acre per annum. Manifestly this would not be a profitable business for the owners, and the only way out of the difficulty would be to reduce the selling price. The owners of all other similar property in the neighbourhood would find themselves under the same compulsion, and the nett result would be the reduction in the selling price of building land on the outskirts of every town to a price just fractionally above its value as accommodation land. Vacant land in the centre of towns, at present unrated, would be brought of necessity into the building market under the same economic pressure of the rate on selling value ; and this economic pressure, taking place contemporaneously in every large centre throughout the country, would give an enormous impetus to the Building and Allied Trades. This activity in all the trades associated with the building trade would react on trade everywhere. Business would be brisk all round and the demand for Labour correspondingly great.

Coupled with the impetus given to the Building Trade by the setting free of the land would be the further impetus created by the exclusion from assessment of the value of the building or other improvement. When local rates are 10/- in the £ the relief given by thus liberating the value

of the building from assessment would be equivalent to the relief given if at least 40 % of the capital required for the building were provided free of interest.

This would cheapen houses for the tenant and would give an all round relief, whereas the provision of houses under a municipal housing scheme at an uneconomic rent, subsidised by the State, would be only partial in its application, would undermine private building enterprise, and would cast a further burden upon the community either as taxpayers or ratepayers.

Under the Rating of Land Values builders everywhere would be encouraged to make full use of the site without the certainty, as at present, of being penalised for every pound they spend.

If we now turn to the Mining districts

Mineral bearing Land. we shall find the same argument will hold good. Again I will give an example in which I have had a personal interest. The property in question was acquired as a residential property and soon after its acquisition valuable stone was discovered beneath it. This stone was the free gift of Nature to all mankind, but under our British land system the full value became the property of the owners of the surface. Some master quarrymen in the district made an offer for the stone which was refused, and the stone was withheld from use for twenty years. Had this opportunity, and similar property in the neighbourhood, been rated on its selling value as stone bearing property, the power and incentive to withhold would have been destroyed; quarrymen would have been employed, stone would have been more plentiful, the price would have been reduced, and trade all round benefited. The same thing would apply in the Coal and Iron districts. A friend of mine, associated

with a Colliery Company, was prepared to spend £50,000 in developing a coal mine, which, when opened, would have employed 200 men. The whole transaction was held up on account of not being able to come to terms with the Royalty Owner on the question of Royalty. If the value of the *mining rights* had been assessed for the local rates the Royalty Owner would have found himself under an obligation to find the money, which would have made him even more anxious to complete the deal than the men who were proposing to invest the £50,000 in colliery plant. It is difficult to get comparative figures as to the Royalties on coal and iron paid in this country, compared with what are paid by our Continental competitors. In a pamphlet on the subject, published some years ago, the figures indicate an average Royalty in this country on pig iron (including the Royalty on the coal used in the smelting) of at least 4/6 per ton. The average given for France and Germany was from 11d. to 13d. per ton. Here we have an adverse burden on the British Iron and Steel trades of about 3/6 per ton. The main reason for high royalty in this country is the power of withholding mineral bearing land from use. Assess the value of *mining rights* for contribution to local rates, and this power of withholding land for a monopoly royalty would disappear.

Land now largely used and rated as agricultural land or sheep runs at a mere nominal figure, would, under the pressure of the rate, come under development as mineral bearing land ; a big demand for the labour of miners would be set up ; the price of Royalty would come down, a heavy burden would be removed from the iron and steel trades, and a great impetus be given to trade generally. Surely from this it will be seen that the Land Question is something much more than a question of growing more cabbages and potatoes.

But now let us turn to the rural side of the question, and see the effect of the new rating system on the problem of Small Holdings. The man, who desires an allotment or small holding, usually is prepared to pay a somewhat higher price for the land than the price that is paid for a large farm. When the land is wanted for allotments or small holdings the price that the small holder is prepared to pay should become the basis for assessment for the local rates. These rates would make it unprofitable to withhold land from its best use and thus would create a tendency to bring the land into use for more intensive culture, which would absorb more labour in the rural areas. But the main advantage to the allotment holder or the small holder would be that access to land would give him economic freedom by making him independent of the employing farmer, and at the same time it would give him a negotiating power in regard to wages, which he does not now possess, if he did prefer to work for the farmer. In other words, it would establish for him a *natural minimum wage*, far more satisfactory than any arbitrary minimum fixed by Act of Parliament. The labourer could employ himself and retain the full product of his labour after due allowance had been made for rent of land and interest on any capital he might require. The wage he could thus make for himself would convert him into a better customer for the products of the secondary industries in the towns, and, incidentally, would go far towards a solution of the housing difficulty in the country by putting him in a position to pay an economic rent for his house; whilst the rate on land values would make land available for the building of houses.

These effects of the new system of rating in the rural areas would check the yearly migration of thousands of men from the country to the towns; and this, coupled with

the absorption of labour in the Mining districts and in the Building and Allied Trades, would prove the true solution of the problem of unemployment. The competition which has hitherto existed amongst workers for employment would be reversed and the competition would then be amongst employers for workers. This would be Labour's opportunity to negotiate for the full reward of the services rendered in production.

Labour has not had its full share of production in the past. We must frankly admit that some employers of labour have been guilty of the short-sighted policy of "pulling down piece rates" when the wage appeared to be getting too high. This has been one great cause of the widespread belief in a "ca' canny" policy, which has established itself in the minds of Trade Unionists. But the chief cause for this faith in the doctrine of the limitation of output is based upon the belief that when a worker produces to the full, what is reasonably within his capacity, there is a danger that he is robbing a fellow worker of a job.

The solution of the problem of unemployment, by placing the worker in a position to resist any attempt to pull down piece rates and by removing the fear of robbing a fellow worker of a job, is the most effective and hopeful method of securing the cordial co-operation of Labour in the fullest production of wealth, when industrial conditions revert to the normal after the War. We hear a good deal of talk in these days about giving Labour a satisfactory "status" in the industrial life of the future. The only status that is worth anything to any man is the Status of Freedom. Economic freedom in the secondary industries depends upon freedom in the primary industries, and freedom in the primary industries depends upon equal access to Land.

**“Seek ye first the
Reign of Justice.”**

The equal Right to land is the birth-right of all mankind; the denial of this Right is a grave violation of natural law and a great social injustice from which springs unemployment, low wages, undeserved poverty, stagnation of trade, and manifold other forms of social disease. These are the evil fruits of the great iniquity of robbing men of their birthright,—the substitution of Justice would bring forth good fruits in general prosperity and happiness.* To those who previously have not given serious attention to the question it may seem an extraordinary thing that an apparently *small* reform in Rating and Taxation should bring about such great results. But the Rating Reform is only a *means* to an *end*—the end is the restoration of Justice by the reversion to every man of his Natural Right to an equal use of the free gifts of Nature. Is it a small thing to substitute Justice for Injustice as the fundamental basis of social and industrial life?

The problem I set out to prove was the Relationship of Land to the Industrial situation of the future. It is difficult in a limited time to do more than create a desire for further study, but I hope I have said sufficient to justify my assertion that the Land Question has a very direct bearing upon the problem of the “Fullest Possible Production of Wealth” and upon the question of establishing a Satisfactory “Status” for Labour in the new conditions of Industrial Life which confront us.

* The demands of justice will not be satisfied until the whole of the economic value of land be taken for public purposes.

At the close of his lecture Mr. SMITHSON showed to the Club a number of very interesting diagrams taken from Louis F. Post's “Outlines of Lectures on the Taxation of Land Values,” published by *The Public*, 122, East 37th Street, New York, U.S.A., and which may be obtained from Mr. F. SKIRROW, Secretary of the Land Values League, 71, North Street, Keighley, price 1/6, post free.

**Extracts from evidence given by Councillor Smithson to the Imperial
and Local Taxation Committee.**

**ECONOMIC EFFECTS OF THE RATING AND
TAXATION OF LAND VALUES.**

Along with the Budget Tax on Land Values as a means of effecting the re-adjustment of Local and Imperial Taxation, I therefore recommend in regard to Local Taxation *that powers be granted to Local Authorities to levy their Rates on the basis of Land Values only*, and to exempt houses and other improvements entirely from local taxation. The effect of these reforms would be :—

1. *To stimulate the best use of land everywhere.*
 2. To make land available for public improvement, habitation, trade, and industry at its real rather than at a fictitious price.
 3. To give a profound and welcome impetus to the increased production of wealth over the entire field of industry ; and accordingly
 4. *To solve the unemployed problem* with its concomitant evils of low wages, overcrowding, and labour unrest.
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RATE PUBLIC VALUES AND EXEMPT PRIVATE IMPROVEMENTS.

What the Rating of Site Values will do.

It will bring land now held idle into beneficial use.

The revenue derived from this new source will reduce the burden on the present ratepayers.

Under its operation public improvements which raise the value of land will increase the revenue of the community.

It will give an impetus to the building trade by making land available and by removing the rate charge now levied on the buildings.

It will create an increased demand for labour in the building trade and all the allied trades.

It will increase competition amongst owners of unoccupied land to get users for their land, and this competition will prevent owners from adding the rate to the price of the land.

It will reduce the rate charge on property where the value of the building is greater than the value of the land.

It will solve the slum problem by making it unprofitable to keep dilapidated buildings on valuable land.

It will improve the health of the community by the removal of insanitary dwellings.

These social advantages do not exist in theory only. They have followed the application of the principle of Rating Land Values wherever the principle has been adopted.

What the Rating of Site Values will NOT do.

It will NOT increase the charge on any property where the value of the building is greater than the selling price of the bare land.

Therefore it will NOT increase the charge on small property owners.

It will NOT increase the assessment on people who improve their property.

It will NOT hurt the building trade, because it will encourage people to improve or renew their buildings.

It is NOT an additional rate on property already rated, but a substitute for the existing rate.

It will NOT enable owners to charge more for land, because it will discourage the withholding of land from use, and with additional land pressed into use the price will be less to those who want to use it, owing to increased competition to find tenants.

As it involves no extra charge on developed property, there need be no fear that tenants will be called on to pay more rent.

It is NOT like the Increment Duty, because the assessment would be lowered when the value of land went down.

It is NOT impracticable, because it is already in working operation in the British Colonies.
