

CITIES HELD TO RANSOM

Facts and Figures

The Injustice of the Present Rating
System. How it Causes High Rents,
House Famine and Unemployment.

The Case for Land Value Rating



UNITED COMMITTEE FOR THE TAXATION OF
LAND VALUES, 94 PETTY FRANCE, S.W.1

One Penny.

6577

THE MUNICIPAL AGITATION

The present system of rating is becoming more and more discredited both because of its practical results and because of the injustices it creates. The only alternative which commands support is the Rating of Land Values, as is shown in the action that municipal bodies themselves have taken.

The Cardiff City Council on 8th April, 1935, adopted by a large majority the following Resolution moved by Councillor George Ferrier and seconded by Alderman Sir William R. Williams :—

"That, in the opinion of this Council, the first step towards a reform of the system of rating is that rates should be levied on land on an assessment based on its full market value irrespective of the use to which the land is being put and as to whether it is in use or not, with corresponding reduction of the rates now levied on houses and other buildings and improvements; and that the Town Clerk be instructed to enter in communication with county and municipal authorities throughout Wales and Monmouthshire with a view to joint action and the calling of a Municipal Conference for considering and/or promoting the necessary amendments to the present law to enable this resolution to be carried into effect."

Local Authorities which in recent years have passed Resolutions demanding the Rating of Land Values include :—

Accrington, Barnsley, Barrow-in-Furness, Batley, Battersea, Bermondsey, Bolton, Bootle, Bradford, Brighouse, Burnley, Bury, Camberwell, Cleethorpes, Colne, Crewe, Darlington, Dartmouth, Darwen, Deptford, Dewsbury, Dorchester, Dover, Ealing, East Ham, Edmonton, Gateshead, Grimsby, Heywood, Holmfirth, Hull, Isle of Wight C.C., Islington, Keighley, Leeds, Leigh, Litherland, London C.C., Manchester, Middlesbrough, Middleton, Monmouth C.C., Morecambe and Heysham.

Nantwich, Newcastle-on-Tyne, Ormskirk, Poplar, Prestwich, Ripon, Royton, St. Helens, St. Pancras, Salford, Sheffield, Smethwick, Stockport, Stoke-on-Trent, Swinton, Thornaby-on-Tees, Todmorden, Tottenham, Tyldesley, Walsall, Warrington, West Bromwich, West Ham, Widnes, Wigan, Woolwich, Worcester, Yorkshire West Riding C.C.

Scotland : Anstruther, Banff, Buckie, Charlestown, Clydebank, Dingwall, Dornoch, Elie, Falkirk, Fort William, Galashiels, Girvan, Glasgow, Hawick, Inverness, Irvine, Jedburgh, Leven, Lochgelly, Musselburgh, Stonehaven.

Wales : Aberystwyth, Cardiff, Cardigan C.C., Denbigh, Glamorgan C.C., Glyncoirwg, Merthyr, Newport (Mon.), Penmaenmawr, Pembroke C.C., Swansea, Wrexham.

WHY RENTS ARE HIGH

At municipal elections the burning question is *THE RATES*, with divided opinion on whether they should be reduced or increased, whether there should be "economy" or more generous expenditure on public enterprise and welfare schemes.

Much more important is the basis on which the rates are levied, and what the economic effect is. The assessment is the "rateable value" which is based on the rent of any property if let on a yearly tenancy in its existing condition, and rates are payable only if the property is occupied. By this procedure, vacant land, however valuable it may be, is entered in the tax rolls as of "no value," since *in its existing condition* it yields no rent. Only when it is built upon or is otherwise brought into use, is the land (along with the buildings and improvements) assessed for local taxation. The result is that every house and every kind of enterprise is heavily taxed. Empty property is exempt and the mere land speculator goes scot-free. Land is held out of use for excessive rents and prices, and local taxation acts as a hostile tariff upon the provision of new houses.

There are bitter grievances about high rents which with rates added often take as much as a third of the family income, and sometimes the blame is thrown on the "grasping landlord." This is to overlook the cause. The real cause is that houses are scarce and dear, and are made so by circumstances that landlords do not control. High rents would not be paid if it were not that tenants are forced to compete with one another for limited accommodation. When rents have to be paid out of low wages, the burden becomes intolerable.

If there were more houses rents would be lower. If there were more jobs, wages would be higher and people would be able to afford better houses. But there will be no solution of the housing problem and no better conditions of employment as long as a system of taxation continues which encourages speculation and penalizes production. It is responsible for evils that no expenditure of public money can remedy, whether raised out of rate-revenue or provided from the subventions voted by Parliament to local authorities in their need.

What is wanted is a change in the law that will relieve houses and other buildings and improvements, and take contribution from those who receive and enjoy the value of

land, whether the land is used or not. In that way it would be to the interest of every landholder to put the land to its best use, to build and improve and provide employment which at every stage would be freed from taxation.

WHAT IS LAND VALUE ?

Patrick Edward Dove, in his *Elements of Political Science* gives this illustration :—

“The rent of any one portion of soil does not depend on the labour or capital that has been expended on that portion. . . . For instance, if in the heart of London a space of twenty acres had been enclosed by a high wall at the time of the Norman Conquest, and if no man had ever touched that portion of soil, or ever seen it from that time to this, it would, if let by auction, produce an enormously high rent.”

Land Value is the market value of the land alone, the value of each piece of land apart from any structures that may be upon it. Land value varies from place to place according to the advantage of situation and the surrounding facilities for business, trade or dwelling purposes. It reaches phenomenal heights in the centres of big cities. For example, prices at the rate of £238, £317 and £330 *per square yard* have recently been paid for sites fronting on main streets in Liverpool. In their prospectus the Company owning the Grand Hotel Buildings facing Trafalgar Square in London, stated that the site *alone*, covering 25,000 sq. ft., was worth £1,055,525.

WHAT LAND AGENTS SAY

The fact that land value is a community value is made clear in every advertisement of a “land sale.” One example will suffice. It is that of the Southgate Estate of 102 acres, on the route of the new electric railway extension from Golders Green (Middlesex) to Edgware and Cockfosters. It was put up to auction in April, 1931, and was withdrawn after £85,000 had been bid for it. Of the total area 96 acres were agricultural land, on which the yearly rates were only £3 8s. The other six acres had upon them a dwelling house, four cottages and an advertising station on which the rates were £135 4s. a year.

The vendors’ prospectus offered the following advantages to the buyers :—

Most suitably situated for residential purposes. Close to the railway with rapid transit to the City and West End.

Frequent service of buses to Charing Cross and Victoria. Gently undulating ground. Good air at an altitude of 277 feet above sea level. Access to drainage, gas and water and electric mains, all ready to be tapped. A public park to be laid out by the local Council and new broad town planning roads. And other facilities including the main railway line to King’s Cross with its station at Oakleigh.

But what were the vendors selling ? It was something they never made nor could make—a desirable situation, the proximity to a great city, the air above the sea, the speed and comfort of modern transport, the benefits of public enterprise, the amenities of civilized life, and in general all the advantages that attach to land by what nature and the community have done to make life worth living at that spot.

THE PRICE OF LAND FOR HOUSING

The present system builds a ring of high-priced and rate-exempt land around all our towns. It is responsible for the vacant sites that should be used. It produces Idle Land and Idle Men. The population is pressed in upon itself although there is room enough to expand ; and exorbitant rents, congestion and slums are an inevitable consequence.

Consider these examples :—

Bristol. Three sites covering 691 acres were acquired by the Council at Sea Mills, Shirehampton and Southmead. This land had been rated at an annual value of £271, but the price of acquisition was £106,666. The Council had to borrow the money and the interest and sinking fund will cost the ratepayers £5,597 a year for 80 years. Before the purchase the Council was receiving not more than £100 a year in rates upon this land, made so valuable by the people of Bristol and their pressing need for house-room.

Kingsbury, Middlesex. In June, 1933, an estate of 115 acres at Stag Lane “came into the market” and was bought by a firm of builders for £100,000, for the building of 1,200 dwelling houses. This estate had been assessed at £1,117 annual value for rating purposes, mainly in respect of existing buildings which covered only seven acres out of the total area ; and the rates had amounted to £505 a year. The question in this and all such cases is not whether the price of the land was too high or the owner was asking too much, but why land having a value of £100,000 should not be rated and taxed at that value whether used or not ?

Other Instances. From all over the country examples of this land racket could be multiplied. Every place has the same story to tell.

	Previous annual Price	rateable value
Cardiff—		
Pengam Farm (7½ acres) ...	£4,384	£7 10s.
Newcastle-on-Tyne—		
Pendown Estate (60 acres)	£37,500	£401
Glasgow—		
Polmadie (58½ acres) ...	£61,850	£58 10s.
London—		
St. Helier (767 acres) ...	£251,666	£1,535
Edinburgh—		
Granton Mains (150 acres)...	£37,500	£600
Stoke-on-Trent—		
Twenty-four sites ...	£17,350	Nil
Leeds—		
For Schools (25 acres) ...	£16,798	£20

THE EXPERIENCE OF SHEFFIELD

A special Committee of the Sheffield City Council reported in 1928 upon the City's land purchases during the past 25 years. The Report (obtainable price 1d. from *Land & Liberty*, 94 Petty France, London, S.W.1) is a striking document. Thirty-four cases were cited of street widenings, school sites, housing sites, open spaces, allotments, etc. The general result showed that:—

Altogether 1,010 acres had been acquired. The total price was £245,540, being 89 times the previous annual rateable value while the yearly rates levied on that land had been only £1,329.

ALLOTMENTS

The Newcastle City Council, like Sheffield, Stoke-on-Trent, Cardiff and Tottenham, has reported officially on the contrast between the price of land and its previous rateable value. The report listed (besides sites actually bought) 22 sites which the Council were trying to acquire and nine of these were for garden allotments.

For 101 acres, on which at that time only £49 14s. was being paid in yearly rates, the owners were asking £72,889.

What chance is there for the allotments movement

against a barrier like this? And how long would the barrier remain if the owners were obliged to pay rates as they should upon the real value of the land whatever it is?

It was stated in the House of Commons, 24th March, 1930, that during the years 1925 to 1928 local authorities had paid £424,975 for 3,473 acres for allotment purposes (equal to £122 per acre), the annual rent of which had previously been £8,619.

PARKS AND OPEN SPACES

Sheffield. Lord Cavan, appealing in 1928 for funds for the National Playing Fields Association, wrote to the *Manchester Guardian* (13th December) that young boys had been lingering in Sheffield gaol through inability to pay fines imposed for playing football in the streets.

A comment on this incident is the price the City Council has had to pay for playing fields. For example, at Hastings Road £6,000 for 13½ acres, and £4,542 for 19½ acres at Brush House Hill. The yearly rates on these 33 acres had been only £8 18s. Boys were punished for playing in the streets, but what penalty is put on land transactions of this sort?

Manchester. In 1928 Mr E. D. Simon, the ex-Mayor, appealed for £75,000 to buy 1,500 acres which as agricultural land was then assessed for only a few shillings per acre in rates. Why line the landlords' pockets in this way? These appeals simply stiffen the land monopoly and make the next playing field more difficult to obtain. A measure of honest taxation would drive in the opposite direction and turn this misguided philanthropy into more useful channels.

The Report of the Ministry of Health (1932-33) states that loans were sanctioned to local authorities for £333,263 for the purchase of 1,523 acres, being an average of £221 per acre. In the Greater London area the average price was £266 for the 892 acres acquired. This was all "agricultural" land which since the passing of the 1929 Derating Act is entirely exempt from local taxation.

RECLAMATION AND OTHER WORKS

Cardiff. For 70 acres of land, much of it covered by water at high tide, the Council had been paying £10 a year rent, using it as a dump for refuse. They wanted to reclaim it (at their own cost) and make it a recreation ground. They bought 44½ acres, paying £2,500 plus all legal and surveying

expenses. In addition, the Council had to fill in the land to the level of the adjoining frontage, thereby presenting the owners with all the increased value of the "desirable building land" overlooking the recreation ground that had been reclaimed at public expense.

Old Cumnock. For land required for a sewage scheme, the Council of this little town had to pay £400 per acre, which had been rated on the tax rolls at a yearly value of £2 per acre. In addition, the owners charged (at 1s. 6d. per yard) a wayleave of £68 10s. a year for a pipe line of 914 yards under the bed of the river.

RESERVOIRS

Even the rain that falls from Heaven belongs to the landowners when it has been collected and held ready for drinking purposes. The Metropolitan Water Board has chosen the sites for two new reservoirs but they will not say where these sites are until they obtain statutory powers for the acquisition of the land. Sir William Prescott, in a public statement on 6th August, 1934, has explained why:

If we do not keep the sites of our new reservoirs a close secret, land speculators will attempt to gain by forcing up land prices in the areas.

So secrecy has to be maintained in this contest with the land monopoly—just as the Middlesex County Council when it was buying land for roads appointed a secret Committee so that landowners should not know who the real purchasers were.

ROADS AND BRIDGES

Six of the many public work schemes "to provide employment" were:—

	Total cost	Land and Easements
	£	£
Swansea Street Widening ...	135,000	35,000
Liverpool, Extension of Queen's Drive ...	166,697	16,887
Hampton Court Bridge...	445,000	80,000
Lambeth Bridge, London ...	839,000	102,500
Bath Road, between Gt. Western Road and Colnbrook ...	171,500	42,000
Manchester-Stockport Road ...	667,000	117,000

These schemes represented work for 4,848 men for one

year. Assuming wages at £130 a year, the wage bill for work done was £630,240, whereas for neither work nor service but only for standing aside that the work might proceed a handful of people got £393,390. Property interests received a ransom of £81 for each man employed for a year, apart from the very much larger endowment in the increased values of adjoining land benefited by the endowment.

It was reported in March, 1930, that the Duke of Westminster had sold for £1,000,000 eight acres of the Grosvenor Estate on the main route between Lambeth Bridge and Victoria Station. The effect of the bridge (even before it was built) had enormously increased neighbouring land values.

The Middlesex County Council has spent £6,097,330 in constructing 70 miles of new roads. At a meeting of the Council, 28th November, 1929, Councillor Boggon pointed out that 44,800 acres of land fronted on these new roads and values had risen from £50 to £300 or £400 an acre. Thereby, he said, a solid gift of £15,000,000 has been made to the landowners.

LONDON SCHEMES ABANDONED

The high water mark of landlord compensation was reached in two London schemes which had to be abandoned because of the extravagant cost. One was the street improvements at the Elephant and Castle to ease traffic congestion. Here, out of the total cost of £1,970,000, landed interests were to receive £1,458,000, while only £512,000 was for actual structural work. The other was the Charing Cross Bridge estimated to cost altogether £16,865,000, being £5,739,000 for all structural work (the bridge, new streets and rehousing) and no less than £11,126,000 for purchase of land, easements and permanent rights.

LANDLORD RELIEF

In 1929 a Conservative Government passed the Derating Act which relieved "agricultural" land from rating—entirely in England and Wales and all but a minute fraction in Scotland. The rates on the sites and premises of factories were reduced by three-quarters. The Act also increased the Treasury subventions to local authorities to help them to "keep rates down."

This scheme was financed by the levy of £35,000,000 a year of extra indirect taxation, which adds to the cost of living and throws this burden upon the working people.

It is universally agreed that when local rates are thus reduced, rents go up. The general body of taxpayers are simply making a gift to the landowners. As the Tory Lord Advocate said (House of Commons, 20th February, 1929) :—

"I do not want to argue at length whether a benefit like this ultimately comes to the landowner or not. My humble view is that it certainly does."

And Mr Frank Hunt, Valuer for the London County Council, declared, 21st November, 1928 :—

"If a property was free from rates the tendency for the freeholder would be to say to the tenant, 'you can pay more rent' . . . the economic tendency of the relief of agriculture and the basic industries would be for the benefit to pass to the landlord."

In short, the Derating Act supports landlordism, not industry. That policy should be reversed. The true derating policy is *not* to relieve land from taxation, but houses and other buildings. Rates and taxes should be transferred to the value of land, a fund so large and so eminently a "public value" that no local authority need be on the doorstep of the Treasury for subsidies and subventions. The plausible talk of "keeping rates down" should give way to the demand: "Give us the opportunity to draw upon those vast resources in the values of land which, being created by the community, rightfully belong to the community."

THE LAND VALUE RATE

The practical proposal is that in the valuation roll there would be a new column showing for every property the market value of the site—that is, of the land alone apart from improvements. The rates would be transferred to the land value basis, correspondingly reducing and ultimately abolishing the rates levied under the present system. Thus houses and other buildings would be relieved. The rate-payment would be strictly in proportion to the value of each piece of land, and would be payable by those who receive or share that value.

Land value can be easily and fairly ascertained and assessed as such, separately from anything that may be standing on the land. It is not necessary to argue here alleged difficulties of making this separation. The quick answer is that it is done in those parts of the world where land value rating is in practical operation; as in Denmark, New Zealand, Australia, the Transvaal and elsewhere.

CANNOT BE "PASSED ON"

Some objectors declare that a tax or rate on land values would be shifted by the landowner upon the tenant in the form of higher rent. This contention can be met at once by asking upon whose shoulders the tax burden is to be shifted in the case of unused or untenanted land. In such a case the owner must pay the land value rate, and as it will certainly be a burden he will at once turn round and look for a tenant, only to find himself in competition with other owners in a like predicament. This competition for tenants will inevitably lower the price of land just as competition for customers lowers the price of commodities. The owners of land already in use will find values of their land rigidly determined for them by the new supply of hitherto vacant and untaxed land that has been brought into the market, and so the shifting of the burden will become impossible.

But if it *were* possible for any land value rate or tax to be "shifted," how are we to explain the bitter landlord opposition to the proposal? If rents could be raised and occupiers were able to pay more, landlords would raise rents now without waiting for the tax. The fact is that rent is fixed not by the will of the landlords, but by the difference between the productiveness or desirability of one piece of land and that of another, from the choicest sites in the centres of cities to the land on the margin. It is the highest price that anyone will give for the relative advantages of any piece of land, considering other alternatives. If more than this was demanded from the occupier he would throw the land back on the owner who with the vacant ground on his hands would still be obliged to pay the land value rate. Indeed, as all economists agree, there is no means by which the owner can shift this burden upon anyone else.

MUNICIPAL ACTION

In February, 1906, a deputation from 118 local authorities presented to the Government a petition signed by 518 local authorities urging legislation for the separate assessment and rating of land values. At the beginning of this pamphlet a list is given of 104 local authorities that have passed resolution in this sense in recent years—since 1919, when the Cardiff City Council officially invited other municipal bodies to support the agitation. The same call for joint action was made at the representative municipal conferences called by

the City Councils of Glasgow in 1926, Bradford in 1929, Stoke-on-Trent in 1929 and Newcastle-on-Tyne in 1930.

The Sheffield City Council issued in 1928 its remarkable official report on the prices it has had to pay for land, and circulated the report to all Town and County Councils in the country, urging upon them the case for land value rating. Newcastle-on-Tyne, Stoke-on-Trent, Tottenham and Cardiff have made similar inquiries, publishing facts and figures that are equally startling. Newcastle and Stoke, like Sheffield, communicated their reports and recommendations to other municipal bodies and provoked widespread discussion.

In 1931 the Finance Act was passed with provision for a land value tax and a land valuation, which with certain necessary amendments that could be easily made (ruling out such exemptions as the Act contained) laid the foundation for the long-demanded and long-delayed reform in local taxation. But obstruction again succeeded. The National Government elected in 1931, although pledged not to do any partizan thing, at once suspended the land value tax and the valuation provisions, and repealed them in 1934.

The London County Council, the Cardiff City Council and other municipalities have since registered their emphatic protest against the action of the Government. The latest step taken by the Cardiff City Council is mentioned on page 2 of this pamphlet. Thus a new lead is given to the advancement of this reform. It rests with the voters to see that their local authority shall use its influence. It rests with them to insist that every candidate at local elections is pledged to promote the Rating of Land Values. The local authorities can bring pressure upon Parliament and the greater that is the sooner will Parliament be obliged to legislate.

M.

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