

## RISING RATES.

The constantly increasing rates of Urban Districts are causing uneasiness and alarm. Further increases are threatened and there seems to be no finality to the tendency, notwithstanding that profits of municipal estate and undertakings such as Tramways, Lighting, Markets, &c., assist in modifying increases, which otherwise would be much larger.

Liverpool, for example, earned by its estate and undertakings during the year 1902, profits amounting to no less a sum than £147,000. This represents a reduction of rates equal to about 10d. in the £, which otherwise would have had to be paid by ratepayers.

This tendency of rates to increase is not confined to Liverpool, it is general and widespread.

Speaking in the House of Commons on March 27th, 1903, in favour of a Bill for the Taxation of Land Values, Dr. MacNamara opened his case for the second reading of the Bill by directing the attention of the House to the appalling pace at which local rates were growing, even as compared with imperial burdens. Whilst between the year 1868 and the year 1899-1900 the Imperial taxation of the United Kingdom had increased by 72 per cent, the amount raised by local rates in England and Wales alone grew by no less than 150 per cent.

### Who Bear the Burden?

Merchants, Shopkeepers, Artisans, and all other rent-payers, as well as that small, comparatively fortunate class of persons who own their residences, and who are unable to shift their burdens on to the shoulders of tenants.

### Who Get the Benefit?

Chiefly Land Owners and House Owners whose properties benefit by public improvements, but who have the power to transfer increases of rates to their tenants by raising rents. The following extract from the speech of Sir Henry Campbell-Bannerman on the date before mentioned illustrates the extent of the benefit which landlords derive from public improvements. Arguing for the community getting a share of the unearned increment which it itself created, he said that "even during the process of construction of the Manchester Ship Canal the value of land on the Trafford Park Estate rose in value from £327 an acre to £4,840 an acre." Apart from gigantic increases in value of land in important places, there has been an amazing increase in value even in suburban districts.

In 1847 the Liverpool Corporation purchased 53 acres of land adjoining the Newsham Estate, for £20,000, equal to about 1/8 per square yard. Land in this neighbourhood is now sold at from 8/- to 10/- per yard. In the same year land at Walton was purchased by the Liverpool Corporation, for building a new gaol, at £288 per acre, equal to 1/2½ per yard. Land in this neighbourhood has now increased in value nearly fourfold.

Nineteen years later the Corporation had to pay the Earl of Sefton £251,177 for 375 acres, now forming Sefton Park, equal to 2/9 per square yard. In this locality land has been sold for some years at about 10/- per square yard.

### Who is the Landlord?

The "landlord" is popularly supposed to be the man who receives the rent, but in many, if not in most cases, this man has mortgaged his property to others—often Capitalists. In such cases it is in law, and in fact, the Capitalist or Mortgagee who is the owner, and he holds the deeds as security.

It is however the first-named person, the person who has mortgaged his land, (or who holds it unmortgaged), whom it is necessary to tax most heavily, for it is he who profits most by increasing value of land.

As to the Capitalist—Mortgagee or Lender, his interest or profit is usually at a fixed rate, but as his securities are benefited by public expenditure, it is right that he also should contribute proportionately.

## Mortgages.

In England, according to Lord Reay, the landed properties are mortgaged for 58 per cent of their value; in 1866 the estimate was only 33 per cent. Farm mortgages in the United States of America, which are favourite forms of investment with Insurance Companies and Savings Banks, and are being introduced in England by large mortgage trust companies like the Jarvis-Conklin Mortgage Trust Company, are usually for one-third or four-tenths the value of the land. In France the mortgages rose from 505 millions in 1840 to 771 millions in 1877. In Prussia the land mortgages in 1869 were 51 per cent. of the value of the lands, and the house property of Berlin was mortgaged for 68 per cent. The mortgages held by the Imperial Bank of Russia reach 148 millions sterling. In Austria new mortgages average £11,000,000 per annum. In Italy the mortgages rose from 353 millions sterling in 1862 to 535 millions in 1870. In Holland the latest return of mortgages (1869) showed 251,000 estates mortgaged for 37½ millions sterling. In Spain the registry of mortgages averages 8½ millions sterling, and £172 per estate mortgaged. In New Zealand new mortgages average 9 millions sterling per annum, and £810 per estate mortgaged; releases average 3 millions sterling. In Egypt the new mortgages registered from 1878 to 1883 amounted to 6½ millions sterling.\*

## REMEDIES.

### The Taxation of Land Values.

One of the remedies for the injustice which the main body of ratepayers suffers, is the Taxation of Land Values, independently of House Values. This reform has been advocated for a quarter of a century, and is within the range of practical politics. Many Corporations have approved the principle. The tax is in operation in our Colonies, and has produced favourable results, and the subject has been before Parliament upon many occasions. Upon the last occasion, namely upon March 27th, 1903, the second reading of a Bill for this purpose, was defeated only by a majority of 13 in a house of 353 members. Such a tax would be beneficial to the community chiefly—

- (a) By creating a new source of revenue.
- (b) By forcing land held for speculative purposes into use or into the hands of the Municipality. Probably agriculture would be promoted in Rural districts, and other industries in Urban districts.

### A more Stringently Graduated Income Tax.

This is another reform which has been advocated for many years, and which is ripe for application. It should lighten the burdens of the middle classes who now pay Income tax, and should tax more heavily the wealthy Capitalist-Mortgagee, whose securities have been benefited by local expenditure. This Tax would probably be an Imperial Tax, and the benefit to poorer members of the community might be received in the form of enlarged grants-in-aid, ear-marked for specific purposes, or indirectly by the reduction or abolition of Taxes on Food Stuffs or other necessities.

### Municipalisation of Land.

This, however, is the most effective remedy. Even now Municipalities have little or no difficulty in obtaining authority for the purchase of large areas of land.

As Municipalities are able to borrow money more cheaply than individuals, it is probable that the Liverpool Corporation, *for this reason alone*, could obtain larger profits out of most of the land in and about Liverpool, than do the present owners, most of whom have mortgaged their land at larger rates of Interest.

Further, the ability of Municipalities to purchase large areas enables them to purchase at the lowest price, and to systematically and harmoniously lay out and develop entire districts.

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\* These facts and figures give some idea of the magnitude of the amount of money which is invested in Land and Buildings by capitalists. They also shew how difficult it is to distinguish between Landlord and Capitalist, and Rent and Interest. As has been explained, all capitalists who have lent money on Mortgage are really the owners of the properties, while all the money which passes to them as Interest, is really Rent.

This Interest (Rent), when accumulated, is re-lent on other properties, or is used as Capital in industrial enterprises. In considering modern problems it is highly important to remember this complexity. The definite distinctions between Landlord and Capitalist, and Rent and Interest, which are found in some academic text books are but philosophical abstractions, useful for purposes of argument, but of little value in practical affairs.

Finally, and this is its chief advantage, Municipalisation at once *puts a stop* to the pocketing of unearned increment by private owners, and diverts all future increment into the coffers of the Municipality.

The magnitude of this increment is not properly apprehended. Its importance can be better realized by contrasting the original small cost of much of the Liverpool Corporation Estate with its present value.

In 1635 Lord Molyneux purchased the Lordship of Liverpool, for £450. About the middle of the 17th century this Landlord began to assert some of the ancient Crown rights, which had been so recently purchased. The Corporation of Liverpool resented this, and finally purchased from him a lease, for 999 years, of 1000 acres of land in the Lord Street District, at a fixed Annual Rental of only *Thirty Pounds*. Recently a small plot of land at the corner of Exchange Street East was sold at a rate equal to £1,093,840 per acre. Therefore the total annual value of this 1000 acres leased by the Corporation for 999 years, for a trifling annual rental of only *Thirty Pounds*, must be stupendous. It is estimated that 50 years ago the annual rental value of this 1000 acres was £50,000; it is now probably worth much more. Had our wise forefathers not clearly perceived the advantage of Municipalisation, all this profit would have been passing into the hands of private owners, and the ratepayers of to-day would be groaning under burdens compared with which the present rates are small.

The enormous incomes still derived by the Earl of Derby, the Earl of Sefton, the Marquis of Salisbury, and other magnates, besides the incomes of smaller owners, are *the measure of the annual loss to the Ratepayers* of the City of Liverpool, because the whole of the land has not been Municipalised.

Liverpool does not suffer alone.

Speaking in favour of the Bill for the Taxation of Land Values, in the House of Commons, on March 27th, 1903, Mr. Thomas Shaw cited a case in which the Corporation of Edinburgh had to pay 136 years' purchase for a piece of land it required, and he capped that case by recalling when the Gas Commissioners of Edinburgh and Leith bought land for new Gasworks they had to pay to the Duke of Buccleuch—the same nobleman whom Mr. Gladstone ousted after his memorable Midlothian campaign—no less a figure than 212 years' purchase. While this sort of thing, Mr. Shaw declared, was perfectly legal it was socially scandalous.

It should be remembered, that whilst the taxation of land values, even in a small degree, would be useful, it is possible that many years may elapse before a tax of substantial amount will be sanctioned by Parliament, and in the meantime land in urban districts may double or treble in value.

Therefore, so far as urban districts, where land rises in value rapidly, are concerned, the quicker and cheaper way is to buy the land at once, at its lowest price, and so *make sure* of securing to the community all future increment, instead of allowing such increase to accrue, and then placing a small tax upon the land value. This latter is an extravagant form of compensation to landlords which should be resisted.†

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† There is a class of theorists without practical experience, who are incapable of understanding that municipal purchase simply means the giving of an equivalent for an equivalent, just as acquisition by taxation involves the giving of an equivalent to obtain an equivalent in a different way, viz., by time compensation, that is to say, by allowing the landlords to continue to receive rent (minus a small tax) for a time which is indefinite, and which, if unduly lengthy, would prove unduly costly.

Though every workman who buys his house knows that it is cheaper to buy it than to *pay rent for an indefinite period*, the theoretical economists in question still labour under the delusion that the latter process is not payment.

It should be clearly understood that all future increment which is allowed to pass to private persons is *additional loss* to the community. As indicating the rapidity, even in olden time, with which value of land increases in Liverpool, see this:

1837. The Corporation had an estate of the net value of £3,000,000. In the last 45 years it had *doubled* in value. In the last *nine* years it had increased in value £900,000.—Town Clerk's Speech, Feb. 13.

Having regard to the rapid and enormous increase of urban values, probably municipal purchase is the cheaper mode of acquisition. In rural districts where values increase slowly, Taxation of Land Values to extinction, if not extended over too long a period, would be the more economical mode of acquisition.

## Compound Legislation.

Legislation therefore should be of three-fold character. (1) Provision for the Taxation of Land Values separately from House Values, on the basis that the owner shall assess his own land, and that the Municipality shall have the right to tax or to purchase as it thinks fit, on the basis of such assessment. (2) A more stringent Tax on large incomes, and (3) Improved facilities for Municipal purchase and development of land and buildings.

This latter form of legislation should give power for the Municipalities to purchase and develop large areas, to build houses, and to let them direct to tenants so that the entire sum of future increment may pass directly to the public purse, instead of as at present being intercepted by numerous intermediaries. This policy working harmoniously with Municipal Tramways, Lighting, Water Supply, and other public services, would probably, in due course, result in such profit as would make local rates small, if not non-existent.

The city could, under such circumstances, be developed more systematically and cheaply than now, when hordes of people are striving to intercept public profits for private use, and when an army of officials has to be maintained to exercise a check upon all kinds of evils and malpractices inseparable from a system based upon individual greed, conducted upon principles of cunning and often rascality, and resulting in princely wealth to a few, and suffering, poverty and death to the multitude.

## Obstacles to Reform.

One of the chief obstacles is custom—the tendency to put up with things—the habit of assuming that what is, is right. Every new legal enactment shews the falsity of this.

Another obstacle is that offered by the owners. but this must be expected and combated.

A third and more serious obstacle consists in the presence in Parliament, and in our Local Council, of Solicitors, Estate Agents and others, who are elected ostensibly to look after the interests of the whole of the community, but who are almost bound to oppose reform, in the interests of their clients and of themselves.

A change of representatives is urgently needed.

### PUBLICATIONS OF THE LIVERPOOL FABIAN SOCIETY.

Modern Wealth : Real and Unreal. By Alfred J. Thorogood. 28pp. 1d., post free 1½d.  
 The Social Conscience. By Professor George Herron. 16pp. 1d., post free 1½d.  
 The Fabian, No. 91. A Leaflet on the American Commercial Invasion. 4pp. 1d.

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