

# LABOUR AND RATES

By R. L. OUTHWAITE.



LABOUR has made a great advance in the local government elections; it has secured a majority in half the London boroughs, and in many provincial centres. The low percentage of votes polled indicates that amidst general apathy Labour alone showed enthusiasm, and so came by its victories. Labour promised redress; the question now is: How are Labour councillors to fulfil their pledges?

### *The Problems to be Faced.*

In the first place the difficulty to be confronted must be set forth. The promises of betterment to which Labour is committed cannot be carried out without an increase of expenditure. As matters stand, every improvement in municipal services is reflected in an increase in the rates, which already stand at a burdensome figure where improvement is most needed. To increase the taxation on houses to the greatest degree where the taxpayers, as tenants, are the poorest of the poor, is obviously not the course for Labour to pursue as a policy of permanent redress. At present tenants who occupy dwellings on which rent and rates are compounded are not aware of the amount they pay in rates. But an Act carried in the last Parliament will shortly come into operation, under which a compounded rent and rate demand will have to show how much is rent and how much is rate. It is a Tory measure, the intent of which is to check municipal expenditure. The outcome may be very different to that anticipated by the authors of the Act. The first point to be made is that municipal activities must be extended, but that Labour must secure that the cost shall not fall upon those who already pay far too much, and who should in fact pay nothing at all. Labour councillors must from the outset expose the injustice of the rating system and demand fundamental reform.

### *Rating of Land Values Insufficient.*

In the appeal addressed to the electors by the London Labour Party on the eve of the poll, first place was given to a demand for the rating of land values. The principle underlying the demand is the right one—that communal services shall be met from the communal value of the land. But the rating

of land values is not the method which the circumstances of municipal finance make necessary. To give municipal authorities the power to rate land values would leave grievances unredressed. It would mean that where land values are high in relation to need no rate would be levied on land value, as in the case of the City of London where land has been sold at the rate of £4,000,000 an acre. Where land value is low in relation to the cost of services cast upon the rates, the whole of the land value would not provide the revenue required.

Furthermore, to secure the rating of land values would require a Bill which, if it passed the Commons, would be certain of rejection by the House of Lords. As will be shown there is a better method of arriving at the same object which the House of Lords could not frustrate short of provoking revolution. It has also to be remembered that a rate on site values would either be paid by the occupier, or all existing contracts made by tenants would have to be broken. Any endeavour to do this would certainly be frustrated by the House of Lords. Confronted with this issue, the Government of New South Wales, in its Act for the rating of land values, maintained existing contracts. In view of these practical difficulties the movement for the rating of land values was before the war transformed into a greater and more realisable demand. It is for Labour to advance and not to be content to advocate what Liberals had abandoned as inadequate.

### *The Memorial Policy.*

What is needed is an application of the principle which will at once, throughout the length and breadth of the land, transfer the cost of the National Services on to the communal land value fund. A simple and expeditious method has been propounded. It is known as the Memorial Policy, having been set out in a memorial presented to the Asquith Government before the war, signed by 173 Members of the House of Commons. It demands that the National Services—Education, Poor Relief, Police, Main Roads and Asylums—shall be transferred from the rates to the National Exchequer, and be financed by a National Tax on the communal value of land.

This demand has authoritative non-party backing behind it so far as the transference of National Services is concerned. The Royal Commission on Local Taxation reported in 1901 regarding these services as follows:—

“The presumption is that a service is national when the State insists that it should be carried out, and on a certain standard of efficiency being reached. We consider poor relief a National Service. Under poor relief we include the maintenance of pauper lunatics, the provision of asylums, and also the minor onerous duties administered by Boards of Guardians and Overseers—viz., registration, valuation, vaccination, and some others. Police and criminal prosecutions are also pre-eminently

national. Education is also national in a high degree. . . . Under Education we include technical and secondary, as well as elementary, education. The maintenance of main roads we also consider on the whole to be to some extent a National Service, and likely to become more so owing to the increased mobility of the population and the development of new means of locomotion."

The Departmental Committee on Local Taxation set up by the Asquith Government, which reported in 1914, recognised this distinction between Local and National Services, and the Budget of 1914 provided £11,099,000 for relief of the rates in view of these services having been cast upon them. Parliament was engaged upon the question of rating reform when war broke out, and the sum earmarked for relief of the rates was swallowed up, and reform discarded for war.

#### *Taxation According to Inability to Pay.*

A moment's consideration will show that the first demand that Labour councillors should make is for the transference of the cost of these National Services so that true municipal services may be financed. They should expose the calculated craftiness of the rich men in Parliament in casting the cost of services, intended to benefit the working people, on to the backs of the poorest in the heaviest degree; as also the cost of services that in the main benefit the rich. They create poverty and make the poor bear the cost of its assuagement. They create poverty and make the poorest pay the heaviest rate for its police supervision. The casting of National Services on to the rates means relieving rich taxpayers at the expense of poor ratepayers. High rates are due to Parliament and not to Municipal "wastrels." Let Labour councillors make that clear to start with.

#### *How the Injustice Operates.*

The fraudulent cruelty of casting National Services on to the rates is reflected in the rates ruling in London boroughs. Where the poorest live there will be the lowest rateable value, the most children to be educated, the most poor to be relieved—and the rates will consequently be highest. From which it also follows that where new houses are most required the rates levied on houses will be heaviest. Conversely it follows that where the rich live and the rateable value is highest, there are the fewest children to be educated, the fewest poor to be relieved and the rates are lowest. It also follows that where new houses are least required the rates levied on houses are lowest. For example, while a rate of 1d. in the £ provides £30,000 in Westminster; to raise a similar sum in Poplar a rate of 8½d. is required. Hence it follows that the rates stand at 8s. 8d. in Westminster, and 14s. 4d. in Poplar, and so on throughout

the country. The rating of land values by localities does not meet this injustice, it can only be most beneficially met by, as a first step, transferring the cost of National Services to the National Exchequer to be financed by a national charge on the economic rent of the nation's land.

#### *Half the Rates go to National Services.*

To realise the effect of this righteous reform the Labour councillors should forthwith secure from each borough treasurer a return showing how much of the total sum raised in rates goes to meet the cost of the National Services. They will find that on an average something like half the sum raised in rates goes in this direction. They will find that where rates are highest, more than half of the total raised goes to pay the cost of National Services.

*Hence it follows that the transference of National Services from the rates to the National Exchequer should mean a reduction of the rates by half or more.*

Moreover, it must be borne in mind that the cost of the new Education Act, and the increase in the pay of the police, has not yet been reflected in the rates. Parliament is casting what should be the taxpayers' burdens more and more on to the ratepayers, and as the rates rise in consequence, the responsibility will be cast upon the Labour "wastrels" who may have provided a few baths, washhouses or open spaces. More important still; as unemployment grows and "doles" are reduced or abolished, the cost of poor relief will increase. The casual wards were emptied during the war, but the latest returns show that the vagrants are again appearing. Parliament is responsible for the economic system that creates poverty and casts the burden of maintaining its victims upon the municipalities, and in chief upon those where its victims in the main exist. Higher interest also means higher rates.

So Labour Councillors should demand that the State shall shoulder its responsibilities. The immediate result, as has been shown, would be a reduction of the rates by half. That is the first thing to be done to give scope to the provision of true municipal services. And by demanding that the cost transferred to the Exchequer shall be met from the economic rent of land, the boroughs would be urging a reform the effect of which would also be to loosen the monopoly control of land and so facilitate municipal activities.

#### *Establish the Common Fund.*

It has been pointed out that the advocacy of the rating of land values was discarded for the sounder proposal for the transference of the National Services to be financed by a National Land Values Tax as the first thing to be done. Now it is urged by the Commonwealth League, whose founders were once advocates of the rating and taxation of land values, that the circumstances of the times demand the application of the principle in full measure.

The time has gone by when the restitution of a share of the communal value of the common property would suffice to meet immediate needs. Those needs have immeasurably increased, and can only be met by full restitution. So it is urged that rating and taxation of land values, as a means of securing a portion of the economic rent, should be discarded. That, instead, the common right to the common property should be asserted, and that every one who holds land as a so-called owner shall pay the full economic rent to the common fund.

The first obligation it is proposed to satisfy is the debt due to the soldiers, and to the dependants of those who fell in defence of the land. This to be met by the allocation of back-pay from the common fund.

#### *The Common Fund for the Municipalities.*

Then it is proposed that the Common Land Rent Fund shall be ear-marked as a Social Service Fund, a fund for the provision of communal services. The economic rent of land is the rent obtainable for permission to use a natural opportunity. The site value of land is a communal value and is not due to individual effort as is the case with the value of improvements created in or on the land. It is a people value. It does not arise in any locality from the presence only of the people in that locality, but from the presence of the community as a whole. For instance, the men of the Highlands and Islands, where there is little land value, help to create the land value of London. If they had not gone to the battlefields and the North Sea, the land of London would have little value for anyone now calling himself its owner. From which it follows that the Common Land Rent Fund, the Social Service Fund, should be collected by the State as the central authority, and distributed for the common benefit of all alike. Its expenditure should not be left to the central authority, but to the local authorities, as being more acquainted with communal needs.

#### *The Common Fund Created by All.*

This principle was affirmed by the Land Inquiry Committee set up by Mr. Lloyd George, and which reported as follows in support of its demand for the transference of the National Services and their finance by a National Land Values Tax :—

“ Though grants from the National Exchequer, from whatever source, can be used to redress inequalities between rating areas, yet a national site tax forms both the simplest and most effective way of carrying out this object. Sites as we have already shown owe much of their value to communal labour and communal expenditure, and to the presence of a large population in their vicinity; and it is this peculiar feature which marks them out as especially fit to bear a special burden. But if this argument be true, the object aimed at cannot be adequately met by rating of site values, owing to the present arbitrary

limitation of rating areas. It is not only the communal labour and communal expenditure of London which have gone to create the site values of London, but the communal labour of the country as a whole. The City of London is the centre, not only of the County of London, or even of Greater London, but of the United Kingdom. Hence, if every member of the community is to enjoy his fair share of the land values created by the community, this can only be done by means of a national site tax. Such a tax, distributed according to the real needs of districts, would tend to relieve necessitous areas at the expense of wealthy areas with high site values."

The Land Rent Fund should be allocated to the municipal governments per head of the citizens whose communal needs they meet. Then all rates could be swept away and each municipality from the Common Fund would have a revenue many times that which it at present administers. Then Education and other communal services could be properly left to the municipalities to finance. Then civic life would rise to the highest plane through the Common Fund and through the restoration of the land to the community. Compared with such a concept, the rating of land values by way of localities is a boggling scheme, as it gives a privileged position to the citizens of those localities where land value is highest, and robs others of their right share.

#### *A Vision of True Civic Life.*

This vision is presented to Labour councillors because it is one that Parliament could forthwith realise by the simple expedient of a Finance Bill calling on every holder of land to pay its economic rent. Included in the Budget, the House of Lords could only reject at the cost of compelling the Government to declare a state of national bankruptcy. Confronted with the dissolution of the Army, Navy, and Civil Service, and the default of payment of interest on the National Debt, the Lords would be compelled to give way. Only thus, short of physical revolution, can Labour effect the social and economic revolution that is demanded. Such being the case, it is not for Labour councillors to take up the position that nothing much can be done because to do it would cause the rates to rise. That would be a fatal policy to adopt. Each Labour councillor must take his courage in both hands. Tens of thousands of children perish each year in foetid slums. Since August, 1914, probably as many lives have been lost through preventible disease as were lost on the battlefields, and the seeds of premature death have been sown in the bodies of a multitude of citizens. To-day tens of thousands are under sentence of death from consumption alone. It is for Labour councillors to combat disease and death, to demand that the Massacre of the Innocents shall cease. To show that the Government can provide the means, and that if it will not it must be swept away and a Labour Government be substituted.

### *The Municipalities Our Soviets.*

But the position of Labour councillors is hopeless unless they proclaim that there is a way of salvation, and that reform at present only entails further burdens upon the ratepayers because Parliament, in the interests of monopolists, withholds their heritage from the people. The transference of the National Services is the first demand that should be made to meet the needs of the moment. If the reply be that the Treasury is empty, then let the State realise the national asset and allocate to the municipalities for common benefit a fund which is now appropriated to private use, or is withheld from use. The value of the common property is today probably £10,000,000,000. A Common Fund of £500,000,000 a year, or of half that amount, and the land set free, would enable Labour councillors to more than fulfil their pledges. Let each councillor take the population of his borough and consider what could be done were £5 to £10 per head allocated to the municipal treasury from the Common Fund.

For social regeneration we must look to our Soviets—the municipalities—financed by the realisation of the Russian Soviets' great decree: "The private ownership of land is forthwith abolished without compensation." And that realisation is to be found in the socialisation of economic rent, the restoration of the land to the community, and the establishment of the Common Fund for common needs. This is practical Communism devoid of coercion, and Labour can bring it to speedy realisation by way of the ballot-box:

#### *Join up for the Commonwealth.*

It remains to be pointed out that Labour councillors, in making the demand for the assertion of the Common Right to the Land as the solution of the problems that confront the municipalities, would be linking up with a demand that must take the foremost place in the programme of the Labour Party. In the Nationalisation of Coal Mines Bill drafted for the Miners' Federation of Great Britain the common right to the coal is asserted, and no compensation is to be paid to landlords and royalty receivers. This principle was upheld by the miners' representatives on the Coal Commission. They stood by their demand for no compensation in the Report. They stood alone because the three "political economists" whom they had nominated for the Commission let them down—Sir Leo Chiozza Money, Mr. Sidney Webb, and Mr. Tawney. But the assertion of the common right to the coal remains the miners' demand, and Mr. Smillie rightly urges the extension of the principle to include all land.

Again and again Trade Union Congresses and Conferences of the Labour Party have demanded the taking of economic rent by taxation. So, too, the Independent Labour Party together with "the Socialisation of the Land as the basis of the

Co-operative Commonwealth." The ex-Service men enrolled in large numbers in the National Union of Ex-Service Men and, affiliated with the Labour Party are demanding the restoration of the land and that the provision of back-pay shall be a first charge on the economic land rent fund. Branches of the other organisations of ex-Service men are also voicing the demand. The Highland Land League is the latest organisation to join up in support of this demand. So Labour councillors, by bringing the municipalities into line with this demand, will not be fighting a lone fight but be linking up with a movement that under the circumstances of the times will prove to be irresistible. The Municipal Labour Party will then be a source of immense strength to the Labour Party as a whole. All the forces of social and economic revolution will then be concentrated on the capture of Parliament by Labour for a great purpose. Captured it can and will be if the cause of the assertion of the common right to the common heritage be made the foremost issue in the coming struggle to oust the exploiting classes and establish a free Commonwealth.

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