

# PRACTICAL POLITICS

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At their recent annual conference, the Conservatives adopted no fewer than 25 policies. All involved “soft” issues. None dealt with matters economic. We were invited to contemplate improvements in public services, but we were not told where the funding was to come from. Yes! yes! we know the standard drill of the savings that better management can bring, but there was scant detail on this either. No doubt all will be made clear in the run-in to the next election. Not revealing taxation policy in the interim, may merely imply that nothing more is afoot than yet another intended round of tinkering with tax rates, allowances, and benefits. That would be to continue to miss the point that contemporary taxation has no place in any solution, but is itself firmly part of the problem. On the other hand, delay *could* imply that a fundamental re-think is taking place. It is certainly needed.

A successful public conference in London on 24th. October on the subject of Urban Regeneration confirmed that there is now wide awareness that great fortunes accrue to lucky corporations and individuals, arising from holdings in land that benefit from the work of others – from public and private investment in creating and maintaining the complex infrastructure supporting the even more complex web of national economic activity, and, indeed, from the mere grant of consent by a public authority to a planning application, adding instantly to a site’s market value.

The picture is not uniform. Some urban areas are in decline whilst others seemingly prosper. Political decisions, economic change, demographic movements, external influences, all play their part. It is being increasingly accepted that all location value has arisen from, and is daily maintained by, the activities of the whole community, the entire population. There is growing awareness that single levies exacted at the time when development is being contemplated, are counter-productive. Interest is turning towards change in the way finance is to be raised for local, regional, and national government, to stimulate and underpin regeneration, away from the great population centres as well as within them.

A fresh approach through basing public revenue on the collection of this national land-rent fund (the policy known historically in this country as land value taxation, or LVT for short) is not just a better way of encouraging new development in run-down areas of towns and cities. Fully and properly implemented, it defines the relationship of the citizen to his country and to each of his fellow-citizens. It is fundamental to solution of problems of poverty, unemployment, regional imbalance, cycles of boom and slump, and environmental depredation. This policy we shall continue to advocate in these pages. It is not one we urge on Conservatives alone – far from it: this is a matter on which the whole nation can and should agree. After that, we can all split up and argue over any other issues that disturb our minds and consciences.

## **IT WORKS**

“The scheme has been used in Hong Kong and Sydney but RICS chairman of regeneration Nigel Smith said: ‘The tax would be unworkable. Everyone will appeal and it will break down.’” (Piers Wehner, “Estates Gazette”, 13th. July, writing of moves by Liverpool and by Oxfordshire County Council to introduce LVT pilot schemes in their localities).

First, let us look at the facts. LVT has been in operation for many years in a number of places overseas, in admittedly partial and even imperfect form. On Brisbane (rather than Sydney), please see our Issue No. 9. On Hong Kong, see No. 57. On Orange Free State, see No. 18. On Denmark and New Zealand, see No. 4. In much of the U.S.A., land is valued separately from buildings and other developments, even though taxes are almost always placed on composite values. At the Urban Regeneration conference last month (see page 1), after Ted Gwartney (assessor, Bridgeport, Connecticut) had made his presentation, no one rose to question feasibility. As for ‘Everyone will appeal and it will break down’, this implies either that valuers are stupid or incompetent, or that appeals panels are composed of chumps. In neither case does Mr. Smith do his profession justice. Fortunately there are many in the R.I.C.S. who know better. What they require is firm political direction leading to well drawn legislation, and proper consultation and discussion as the enabling Bill passes through its stages to enactment.

Let us not forget, by the way, that land is being valued purely on the worth of the site all the time, even now. For instance, whenever a filling station is closed to be redeveloped for shops, offices, or dwellings, the pumps, tanks, canopy, and glorified hut of an office, are of no interest whatsoever: the buyer wants only the land. Valuers do not refuse their professional services, do they? Surely they earn an honest crust?

## **LAND AND WATER**

“High-risk properties can lose at least half their value if homeowners cannot obtain insurance, said estate agent FPDSavills this week” (Alexander Jolliffe, “Financial Times”, 22nd. June). There are two points to make. First, a site prone to flooding would normally have a much lower land value than one more safely located, so that a low LVT assessment would compensate for the risk. Land value is simply a measure of relative locational advantage. Secondly, any subsequent defensive work installed by the owner would not attract tax, though any flood defence payments made from public funds or work carried out by a public body would, logically, result in a higher LVT bill.

## **WHAT REALLY GIVES LAND ITS VALUE**

“Debate about the future of Western Riverside has rumbled on since... 1989” (Hywel Lloyd, “Bath Chronicle”, 24th. October). A developer has now produced a plan for its 15-acre part of the zone, but Bath and North East Somerset Council seems to want a comprehensive redevelopment over the entire 70-acre extent of the zone. The architect for the 15-acre scheme argues, “it will start to enhance land values on adjoining land which means more development is more likely”. This is not quite true. Let us first be clear that planning permission alone does not create land value. It releases it. The demand from people for space on which to live or work has to be there before land acquires a value. Secondly, there has to be a thriving community on the newly developed land, or the developments will stand as mere follies. Then there still has to be demand from people for further living or working space on that neighbouring land. Land value is truly a people value. That, and the fact that land was never man-made in the first place, is why holders of land have no right to appropriate land rent to their own private use. So long as society tolerates that fundamental injustice, so long instead will earnings and savings be pillaged and taxes be imposed on spending and trade.

## **LOCATION, LOCATION – examples, urban and rural**

In 1985 a businessman paid £650,000 for the lease on an acre of derelict land in what became the London Docklands development. “The plot is now one of the most sought after locations...worth £30 million” (Nilufer Atik, “Evening Standard”, 7th. October). “The land (opposite Canary Wharf) is increasing in value almost by the week”.

“A rundown beach hut, six miles from the sea (on the banks of the Debden at Waldringfield, near Woodbridge, Suffolk) and described...as ‘a £300 shed’, has gone on the market for nearly £60,000” (David Sapsted, “Daily Telegraph”, 19th. July) despite having “no mains electricity, water supply or drainage”. What, then, is the attraction? “It is in a wonderful position in a very picturesque little spot with lovely views of yachts and river.”

## **THE DOUBLE HANDICAP OF NUCLEAR ENERGY**

First, nuclear energy is lumbered with the climate change levy even though it is not a fossil fuel and contributes no carbon dioxide emissions. Secondly, it has huge sums to pay in business rates. All businesses in fact which have a high ratio of plant and machinery (capital investment) to land value, will gain significantly from a shift to LVT. That bears thinking about...

## **MIDGES**

“The Cardiff Bay barrage was built in 1999, creating a giant freshwater lake” (Jim Pickard, “Financial Times”, 3rd. August). “Several billion pounds of investment have been pumped into the once-derelict area, and thousands of luxury flats have been built”. Unfortunately the Bay is visited by a plague of midges which swarm in the evening, blackening the sky and making it impossible to sit outside or leave doors and windows open. The problem affects 5,000 people. Worse for the owners, no sooner do prospective tenants turn up than they are engulfed in insects and flee in their cars. The flats are good, but the location is not all it might be. The harbour authority is left with the environmental problem. If LVT were operating, reduced assessments would provide owners and occupiers with economic balm.

## **WHAT THE POLICEMAN KNOWS but the politicians ignore**

“At police headquarters in Madrid (reports Leslie Crawford, “Financial Times”, 26th. October) a chief inspector says: ‘The fastest way to make money in Spain is to buy agricultural land and then have a friendly council reclassify your holdings as urban land. The value of your property increases many times overnight. It is one of the favourite scams on the Costa’”.

## **WHO MADE THE LAND? CERTAINLY NOT MAN!**

“If you are not into racing, my tip for the future is to stick with property. God has stopped making land, so it continues to be scarce – and anything scarce will go up in price” (Sean Barrett, [Republic of Ireland] “Sunday Independent”, 22nd. September).

“New land for sale” (advertisement, “Estates Gazette”, 12th. October). If that reference to land newly for sale is not blasphemy enough, consider how unholy is the current landholder’s anticipation of profit from the land’s situation “in prime locations in the South East – close to the M25. Road frontage and close to Residential Developments. Good potential for future planning consent”. There, gentle reader, goes part of the whole community’s value – and by the bye the birthright of the next and succeeding generations.

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