

PRACTICAL POLITICS

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We open with a few reminders of some of the reasons for high land values. None involves any industry or skill on the part of the landholder, nor of course did the landholder or any predecessor in title actually make the land in the first place. In an interesting variant on chattel slavery, those who exert physical labour or apply their mental powers are no longer owned and maintained by a slave-master: instead, although allegedly free, they must, in order to create wealth for their sustenance, pay tribute to the landholder for access to a little patch of the earth's surface. Because Government neglects to collect land value, allowing what is rightfully public to fall in to private hands, it is obliged instead to tax what ought to be private, namely wages, consumer goods, and capital accumulation. Unsurprisingly, it finds itself simultaneously facing a huge and endlessly rising welfare bill. To an observer from outer space, our social organisation must look very odd indeed. It looks pretty silly from down here too.

(a) Who will be the new U.S. President? Governor Bush owns a ranch in **Crawford, Texas**. Crawford is now “just a stop on the road”, but if the Governor were to make it to the White House, “an acre of Crawford land could double in value to \$3,000” according to the local estate agent (Toby Harnden, “Daily Telegraph”, 15th. November). There are people “waiting for the outcome before buying properties. If he loses, they won't be going ahead.”

(b) “Close to central **Belfast**, the prime residential areas are Malone to the south and Holywood to the east” (Gerald Cadogan, “Financial Times”, 15th. July). House prices there have been rising annually by between 20 to 25 per cent over the last three to five years. “Both areas are unaffected by sectarian divides and well placed for Belfast City airport.”

(c) Parents mindful of their children's education want to be in the right **school's catchment area**. This affects house prices, or, more accurately, the prices of housing land. “Even streets can be divided where one side falls within one school's catchment area while the other side does not” (Christine Webb, “Sunday Express”, 10th. September).

(d) “Development in the northern hemisphere generally begins on **a river's north bank** because of its south-facing aspect, reaching its natural limit then flipping to the south side” (Ian McConnell, “The Herald”, 23rd. August).

A CUSS OF TINKERERS

The Chancellor of the Exchequer, in a Pre-Budget statement (a.k.a. autumn mini-budget), spoke of his inner-city package, involving a supplementary business rate, a reduction of v.a.t. on residential conversions, removal of v.a.t. from renovation and sale of houses empty for 10 years or more, and 100% capital allowances for investors who convert space over shops into flats for letting. In a further attempt to stimulate the property market and encourage urban renewal, stamp duty will be abolished on house sales in selected areas. As stamp duty does not apply to transactions below £60,000, and as few run-down localities outside London boast housing of such high value, it was instantly obvious that the only gainers could be the well-heeled in middle class enclaves of fashionable 'period property'. Equally obviously, sellers will be able to raise the asking price to mop up this new advantage not enjoyed by similar properties outside the privileged exempt zones. Some of the most deprived areas are in any case dominated by local authority or housing association properties, which are either not for sale or are sellable only at depressed prices, so that stamp duty is an irrelevance. "Where gentrification is not happening, the problem is to do with location and reputation" (Angela Pertusini, "Daily Telegraph", 10th. November).

On a different tack, the Chancellor proposed the reduction of v.a.t. on repairs to listed buildings used as places of worship, but not on secular listed buildings. Lowering of v.a.t., incidentally, requires approval from the EU, so the Chancellor is probably not holding his breath.

The rest was a rag-bag of verbiage, signifying little. None of it is going to revolutionise our townscapes. As a sample, "In a bid to tackle developers' reluctance to build on contaminated land the Chancellor offered to speed up a payment of tax relief on clean-up costs" (Tom de Castella and Henry Palmer, "Regeneration & Renewal", 10th. November) so that property investors will not have to wait until the land is sold. Will this encourage developers to get on with it, build, and sell, or will it make it more comfortable for them to sit and wait for a new round of demand to cause land prices to rise? There was an alternative proposal, however, put from outside Parliament. "Taxing land owners who don't put their sites to good use gives waste a price tag and discourages speculative land holding...We have vast amounts of vacant and under-used land totally untaxed – and great pressure to build on green fields while cities like Liverpool need renewal" (Tony Vickers, "Liverpool Daily Post", 16th. November). By contrast, taking taxes off buildings encourages renovation and good use of scarce city land.

Meanwhile, what have the Government's opponents been offering? In the Commons debate on the White Paper on the future of towns and cities a week after the Chancellor's mini-budget statement, the spokesman for the Liberal Democrats complained there was no proposal for a greenfield development tax to boost brownfield development. How would it do that? A development charge such as a greenfield tax is a voluntary tax, contingent upon an application for planning approval and a decision to carry out development. The greenfield tax could be set low enough not to stifle greenfield development, in which case it would be only a low-yielding annoyance which was expensive to collect, and it would do next to nothing for brownfield development. If it were to be set high, owners of greenfield land would be likely to withhold it from development pending repeal at a later date; but this would create an artificial scarcity of developable sites which would enable owners of brownfield land to raise the asking price! We have other, more fundamental objections to this selective, unprincipled, and intellectually trivial approach to land value, but for the nonce let the criticism of ineffectual tinkering suffice.

The Official Opposition had pronounced earlier. On 3rd. October, "The Daily Telegraph" carried a report by Andy McSmith on the Leader of the Opposition's launch of "Believing In Our Cities". Apparently the Shadow Cabinet has not allocated money for its inner city programme, but is hoping to pay for it by making more economical use of the Government's regeneration budget. The document promised to establish regeneration companies in every urban area that needed special assistance, with powers to buy and sell land and buildings. Designating special areas and advertising the intention to pump in regeneration funds, public and/or private, is a sure sign to every landowner likely to be affected that land values are on the way up and that it is high time to start speculating, playing hard to get, and demanding a cut of the future increases in value on top of existing values.

There is money around, but where does it come from? Underlying this public urban regeneration policy is the general need of the population as a whole for the infrastructural improvements and for the housing and commercial redevelopment that will be put in place. Yet this value is going to go to lucky landowners. Not even compulsory purchase will change anything much, because the price paid has to reflect the open market value of the land, which of course has now been handsomely swollen. It is surely not difficult for Conservatives to match this unearned increment in land with the need for regeneration funds, and it is but a short step thereafter to accept that all land rental value is public.

A BIG NOISE IN THE CITY

The Baltic Exchange in the City of London was destroyed by an IRA bomb in 1992. Because it was a top-grade listed building, “English Heritage lost no time in insisting that the Baltic boys put it back together” (City Comment, “Daily Telegraph”, 24th. August). Protesting against the stupidity of such an edict, the Exchange nevertheless had to conduct its business, and swapped its site for another place, “knowing that Heritage’s demands had done for the site value what the IRA’s bomb did for the building.” Eventually, English Heritage relented, and the DETR approved plans for a new skyscraper. The Deputy Prime Minister’s magic rubber-stamp ensured the site became “worth tens of millions of pounds” to its new owners. It is certainly true that the Baltic Exchange has been “seriously disadvantaged by a quasi-official body”, but in this unsavoury affair the wider public interest loses, whoever runs off with the land value.

REAPING A CASH CROP

“I was thinking of cashing in on land values.” “You’re in good company. Farming and buying a farm don’t necessarily go together these days, particularly if the property is near a city or a motorway...Remember location is vital” (Kate Burgess, light-hearted but fact-filled imaginary conversation, “Financial Times, 11th. November).

FURTHER OUTLOOK: GLOOMY

“The UK’s climate change levy, due to start next year, is mind-bogglingly complex, even without trading emissions permits. So many exemptions, exceptions and part-reliefs have been made that the consequent high tax rates are bound to distort business. Few countries could hope to operate such a scheme without it collapsing in fraud and corruption” (Graham Searjeant, “The Times”, 16th. November).

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