
Practical Politics No.76

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THIS ENGLAND

A government minister "this week launched an online database of commercial land available in England for foreign investment - in a sophisticated ploy to market the country as a centre for European inward investment." (Chris Ayres, *The Times*, 12th. February).

This other Eden, demi-paradise . . . This blessed plot, this earth, this realm, this England . . . This land of such dear souls, this dear dear land . . . is now leas'd out . . . bound in with shame, with inky blots and rotten parchment bonds." (John of Gaunt speech, *Richard II*, William Shakespeare).

We do not think that foreigners should be allowed to own any part of England. We do not think Englishmen should be allowed to own any part of England, either. We are, however, content for anyone to have exclusive use of any part of the country provided he makes over to the public exchequer a sum equal to the annual unimproved site value, as compensation to the rest of us. That way, everyone in the U.K. may enjoy equal rights in the land of his birth.

TWIN PEARLS

At a conference earlier this month, Lee Goldstone • , managing director of the property development company, Regalian, made two observations, reported in *Property Week* on 13th. February, which we are pleased to record hereunder, noting only that LVT ensures profits are made not from land but from useful work.

"We have not explored the nether regions of south London, because one of the factors that make a location desirable is transport infrastructure, and until the opening of the Jubilee Line, south London is very poorly served for transport."

"Some • of the largest gains to be made in the property market are not actually in the carrying out of the development, but in the securing of beneficial planning consent."

HOUSES

First there is a plot of ground. Men enter it with plant and machinery and wit • h materials such as bricks, stone, tiles, slate, and wood, and a house is

built. Generally it is by an adopted, made-up road, and is connected to utilities like water, sewerage, gas, electricity, and the telephone. Usually it has fixtures and fittings in place, to which the owner adds furnishings and household goods. There is no construction problem. Mechanical diggers, bricks, cement, and window glass are not in short supply. Architects, building tradesmen, and general labourers are easily found. Sinks, lampshades, carpets, and refrigerators abound. Talk of a housing shortage, a housing problem, points only to the need to find a site. It is a question of

Perspective

In Issue No. 17 we produced a calculation to see how much land was needed for housing. Let us repeat it, using the latest population figures (from "Britain 1998: An Official Handbook", Stationery Office, £32). The number of people in the U.K. is given as 58,823,000.

Let us assume an average household of 4 persons, and that the housing density is to be 8 to the acre (a much more spacious environment than is usual, for 12, 16, or even 24 houses to the acre are common enough). The resultant acreage is converted to square miles and the area visualised as a circle whose radius is determined by the full calculation:

$$3.142 \times (\text{radius})^2 = 58,823,000 / 4 \times 8 \times 640$$

from which the radius is found to be 30.237 miles

Thus one could house the entire population very decently within a circle having a radius of little more than 30 miles, leaving the whole of the rest of the land area available for agriculture, industry, commerce, and leisure. If the calculation is done at 4 houses to the acre, the circle still has a radius of just 42.75 miles, and at every house in its own acre it is only 85.5 miles! What is this nonsense about overcrowded islands?

Further perspective

About 250 years ago began a drift from country to town. Who is to say there should not be a reverse tendency in the next century? Cities, indeed whole regions, rise and fall. Society is not static. What we can be sure of is that where people go and what they do, affect the relative attractions of individual locations. It all comes back to land and it all shows up in land value. Incidentally, it is our jaundiced experience that those most wanting new housing restricted to the desolate inner-city, are the least keen to live there themselves!

The current debate about housing demand plays with figures but ignores the obvious. Demand must mean effective demand. Builders put up houses to sell, not to give away. Why not grant outline planning permission, not for 4 million more homes, but for 8, 12, or 16 million? The market will then see that they are built only as, where, and when the people who want them can demand them effectively. There are, however, some formidable obstacles baulking that

Tax burden

There is no v.a.t. at present on a new house, but it does fall on refurbishment of a property and thus penalises proper repair and maintenance.

There is talk of a tax on building on greenfield sites. This will reduce the amount of land on offer and put up the cost of what does become available. Either way, it will enable owners of derelict and under-used urban land to raise the going price of their plots, which will now benefit from an extra scarcity factor. Someone is sure to want to subsidise the clearing and development of brown land, thereby making a further present to the landowning interest. New houses will be fewer and dearer. Is that to be public policy? There are rumours of a windfall tax on landowners granted planning permission. This sounds like a re-run of old failures, such as the betterment levy and the development land tax. It could also be a more open version of the "planning gain" cavortions that now go on between local government and would-be developers. We shall see.

To compound all this, as soon as new houses are built, on brown land or green, they are valued for council tax and banded according to their assessed worth. Urban wasteland or the shell of a crumbled old property will have contributed nothing to the local authority over the years, but will now start paying - and the better the house, the more that has to be handed over!

Incentive

High land costs and perverse taxation ensure for this country some of the most unsatisfactory mass housing in the developed world. A modern state needs a fiscal policy that, far from being a drag on improvement, acts positively to reward wealth creation. The key is to recognise the unique rôle of land. There is a fixed amount of it; it cannot be moved around; it is not man-made; its value is exclusively due to general forces which are natural or social in character. As Prof. Nathaniel Lichfield and Owen Connellan have recorded, the appropriate policy is for each site to be valued in turn as if it alone were unimproved but it enjoyed "whatever advantages arise from its situation, the road system, the public services, the proximity of shops, places of entertainment, schools, churches, and every other convenience of civilisation. These are in fact the advantages which have always been bought whenever a vacant site has been purchased" (*Land Value Taxation In Britain For The Benefit Of The Community: History, Achievements And Prospects*, Lincoln Institute (U.S.A.), 1997).

Affordability

This policy of collecting public land value for public revenue would, if fully carried out, strike at the root of the problem of inadequate housing. It would do so in two ways. First, it is a holding cost on land, reflecting the realisable rental worth of a site irrespective of whether or how well it is actually being used. It is thus a powerful incentive not to withhold or mis-use valuable land (advocates of inner-city redevelopment and slum clearance, please note!). It knocks the speculative or "hope" factor out of land costs. More land becomes available more cheaply. Secondly, it raises wages (a general term for the returns to all who input work of any sort) because the annual rental value of land now replaces taxes on earnings, spending, and saving, and, more

importantly still, because the maldistribution of wealth is corrected at the primary stage by raising the margin of production (removing distortions stemming from defective and inefficient deployment of land - as shown in Issues Nos. 12 and 21).

With good homes costing less and real wages significantly higher, it will at last be possible for working people to house themselves in fitting manner. What sort of world is it in which men and women doing a decent day's work cannot afford a roof and four walls? Answer: it is a world in which the beneficial owner of land holds all the aces and all the trumps, and the rest have only the odd deuce to play with.

RAKING IT IN

"Selling land for new housing still remains the most profitable short term "crop" that most farmers could ever hope to raise" (*Landscape*, Issue 1, Winter 1997, published by Lovedays, a Wiltshire firm of agricultural auctioneers and valuers, national milk quota agents, and development surveyors).

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