

JUST what is Mr. Crosland proposing in the White Paper on land? Well, he could not set out his aims more clearly.

The first, he states, is "that the community must control the development of land in accordance with its needs and priorities."

The second is that "the community must take back the increase in the value of land arising from its efforts." These are fine aims. How is he going to achieve them?

First, after a transitional period — and I quote from the White Paper — "It is the Government's intention to lay a duty on the local authorities to acquire *all* land required for private development."

In other words, he does not intend that local authorities should have merely the right to buy whatever land they need, but the duty to buy *all* development land — with one or two exceptions, such as single plots for owner occupied housing.

That is the first of Mr. Crosland's proposals. The second is that local authorities will be able to buy land at its existing use value.

The right for local authorities to buy the land they need at existing use value is a reform we have urged on a number of occasions, and we are delighted to see that it may now be put into effect.

Nevertheless, to give local authorities this specific and vitally important weapon does not require the blanket nationalisation of development land. All that is needed is a simple amendment to our Town and Country Planning law dealing with compulsory purchase.

Therefore, in order to see the real purpose of Mr. Crosland's White Paper, we must look at the consequences of nationalisation upon private housing and commercial development.

The White Paper proposes that all land for private housing should be acquired by the local authority who would then grant building licences to builders. Finally the houses should be sold on the open market. Will this increase the supply of private houses? And more important will it bring down their price?

Right now there are in this country tens of thousands of houses standing empty. They stand empty because no one can afford to buy them. The reason no one can afford to buy them is because there is a great shortage of mortgages and even the mortgages that can be obtained are extremely expensive.

But that is not all. In addition to the tens of thousands of houses standing empty, it has recently been estimated that there are enough outstanding planning permissions to keep the private house builders busy for another three or four years. And as if that were not enough, the building companies themselves have vast land banks in reserve.

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"We have come to realise that there is only one

It seems we are awash with land for private houses. The last thing we need right now is yet more of it.

Will Mr. Crosland's proposals then bring down the price of houses? Over the past few months, and particularly during the recent election campaign, there has been much talk of cheap housing and a lot of people have come to assume that Mr. Crosland's land proposals are going to bring house prices down.

But they are wrong. A close reading of the White Paper reveals that local authorities, having bought up all the land for private housing, will then make it available to owner occupiers at the *full market price*. In other words, one result of the nationalisation of all development land will not be a reduction in the price of houses.

In fact it seems unlikely that Mr. Crosland's proposals will confer any benefit at all upon people wanting to buy their own houses.

So if the nationalisation of all development land is going to be of little use to the local authorities in their efforts to carry out public developments, and if, moreover, it is going to be of little use to people wanting to buy their own houses, will it be of any social use at all?

In the field of commercial development, the White Paper proposes that in future all land for office, shop and factory development will be bought by local authorities, that the land will then be given the appropriate planning permission and finally leased to the developers at its new value. Does this actually mean that in future the pattern of development of shops, offices and factories will indeed be more in the interests of the community? Mr. Crosland claims that it does.

He says that our present planning system is negative in that it can only respond to initiative coming from outside. What is wanted he says is "positive planning." And what he calls positive planning can only be achieved if the planners own the land they want to see developed.

Well now, positive planning is a phrase with a nice ring to it, but what does it really mean? Presumably it means that in an ideal world, the sort of world envisaged by the White Paper, we would be putting up shops, offices and factories in shapes and places in which they are not going up at present.

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practical and simple solution to the problem."

So when Mr. Crosland talks about the need for our planners to be able to plan commercial development more positively he can only be talking about development which would not at present be carried out.

Now just what sort of development can this be? We know that our great British property developers, the best in the world, can be utterly depended upon to nose out a profit if there is one going.

But the sort of development for which Mr. Crosland wishes to provide the initiative through his scheme of "positive planning" can only be development which would not be profitable. In other words developments which would make a loss. Can it really be Mr. Crosland's intention to encourage planners to initiate developments which would make a loss?

One thing is clear — in the planning of commercial developments the White Paper proposals will bring no benefit to the community whatever.

So what about the money? There is no question that Mr. Crosland's system will bring back to the community the full value of planning permissions for both private housing and commercial development.

But, and it is a very important but, we must remember that the machinery for doing just this has existed since Anthony Barber introduced his development tax a year ago — and a development tax is an infinitely simpler method of achieving this end than the cumbersome process of nationalising all development.

So why is Mr. Crosland wheeling up such an enormous elephant gun to shoot a fly? This question has been puzzling us since the White Paper was first published and it is only now that the answer is beginning to emerge.

Throughout this last summer, it appears that a great battle raged within the Labour Party. The battle was between those who insisted on nationalisation for doctrinal reasons — and those who could see clearly that the nationalisation of all development land was likely to lead to what Mr. Crosland himself has described on more than one occasion this year as 'a bureaucratic fiasco.'

We can only conclude that Mr. Crosland has been forced to overrule the clearer minds among his ad-

visers and his colleagues, simply to placate his left wing.

But although the proposed nationalisation of all development land might seem an oddly expensive political gesture, perhaps the oddest thing of all about this White Paper is not what's in it, but what's been left out.

There is virtually nothing in it about the gigantic problems of land which has already been developed — by far the greater part. And, of course, these can be just as important as the problems of new development, if not more so.

We must remember that our towns and cities are subject not only to physical changes but also to changes in the use of buildings, and in recent years quite a lot of these changes of use have come about in accordance with the dictates of profit rather than the interests of the community.

For example, we are all aware of the way in which neighbourhood shops are disappearing, of the butchers and bakers and greengrocers and fishmongers who are being forced to give way to the high profit merchants who can afford to pay much higher rents.

And most of us are aware of another change of use which is increasingly becoming a problem in our big cities, and that is the erosion of small office suites — as property owners increasingly attempt to realise the greater profits which flow from large scale lettings.

Also, of course, there is the problem of the break-up of perfectly successful residential communities by the process known as "gentrification."

Although most of these problems can be remedied fairly simply, they are completely ignored in Mr. Crosland's White Paper.

But much more glaring than the failure to deal with the *changes* taking place in the use of existing property, is the failure of the White Paper to deal with the *profits* flowing from existing property.

These investment profits from land which has already been developed are totally ignored. And they are vast. Let me give you just one example of this. In 1967 it was estimated that the personal fortune of Harry Hyams was no less the £27 million. Recently, a city stockbroker took a fresh look at Mr. Hyams' assets and estimated that he was now worth at least £300 million — a sum of money hard to imagine. It would house the population of a good sized town.

Just how did Mr. Hyams' fortune shoot up from £27 million to £300 million in six years? It certainly wasn't because he was speculating in sugar. Nor was it because he was building a whole lot of new Centre Points. In fact in those six years, Mr. Hyams carried out not one major new property development. The reason why his fortune grew in this almost fabulous way was simply because he continued to own the

properties he had owned in 1967. And what is more, the whole of this capital appreciation remained and remains untaxed.



Now, if you are going to win back for the community the value of land which the community itself creates — as Mr. Crosland wishes to do — clearly the profits which flow from the passive ownership of land — the profits from property *investment* as opposed to the profits from property *development*, must be taken into account. For one thing, they are so much larger than the once and for all windfall gains created by planing permissions.

Indeed the Labour Party saw this last year when it proposed a swingeing tax on the unrealised capital gains of property investment, a tax of which Mr. Crosland was one of the leading proponents.

But last summer, for reasons which were not given, this proposal was abandoned. As a result, the Labour Party now has no proposals at all to deal with the greater part of the entire land problem — how to win back for the community the gigantic untaxed values continually being created by the community on land which is already developed.

In fact Mr. Crosland makes just one reference to the problems of existing building in his White Paper. You may not believe it, but this is what he says. And I quote — “the problems outlined so far have been concerned with the development of land. But there is a related problem of land which has already been developed but with unsatisfactory results for the community. The problem is that of *office premises which have been standing empty for many years.*”

What Mr. Crosland has done, and I must confess I find this pretty difficult to believe, is to pluck out from all the seething problems of our existing buildings, the problems of use, the problems of the vast and anti-social profits of private land ownership, the problems of soaring rents, and all the many others, just one derisory little problem — the pathetic red-herring of a few empty office blocks.

I suppose it is possible that if we take the proposals in the White Paper, and add to them a periodic tax on unrealised capital gains (which is, incidentally, a very clumsy procedure) we might get somewhere towards getting back for the community *all* the value the community creates in land — both developed and undeveloped.

But what a long way round — simply because the

Government hasn't been able to analyse the problem with any clarity.

Let us try to do it for them. The heart and essence of the land problem is the quite appalling distortions which have arisen in our society simply because a small minority has been able to get its hands on the quite disproportionate values which flow from the ownership of land — values created, sustained and increased by the community.

We have studied — very closely — the different ways in which the problem has been tackled in the past. We have studied the idea of joint schemes between a local authority and a property company, in which the local authority tries by negotiation to win back at least part of the profits which it is making possible for the developer. We have studied the idea of taxing unrealised capital gains, with all its snags and loopholes.

But increasingly we have come to realise that there is only one practical and simple solution to the problem.

Mr. Crosland seems to think that in order for the community to win back that part of property values which are created by the community, it is necessary for the community physically to own the land. But it isn't. It is simply necessary to distinguish between that part of the value which is created by the community — the value of the land — and that part which is created by the hard work of the owner or the developer — in other words the improvements to the land, the buildings which stand on it.

Once this has been done, it is perfectly simple to assess just what proportion of the rent produced by the property springs from the value of the building and what springs from the value of the land.

All that Mr. Crosland, or his friend Mr. Healey, then has to do in order to rescue for the community the property values created by the community is to tax that part of a building's annual rental worth attributing to the value of the land.

Now clearly this proposal has certain qualities in common with the idea of a tax on land or site values which has been kicking around for a very long time, and which originated nearly 100 years ago in the writings of Henry George.

But there is one absolutely crucial distinction between site value taxation and the sort of tax which we are proposing. The followers of Henry George have claimed — and this is one of the greatest objections to the traditional land tax idea — that the value of a piece of land is somehow intrinsic to its situation, regardless of the use to which it is put.

Of course this is not the case. The value of a piece of land is determined not only by its situation,

but also by the use to which, under our present and in most ways excellent system of planning legislation, the community allows it be put.

The community in other words determines the value of a piece of land in two ways — partly by its very presence around the land, which makes it desirable for certain uses, and not for others. And partly, through our system of zoning and planning uses, by agreeing to what purpose the land can be put.

It is for both those reasons that the community has a perfect right in equity to demand back that part of the property's value which is not attributed to the specific efforts of the owner or developer.

And there is no question that a tax based on that principle would be not only much easier to impose than many of the taxes at present on our statute book, but would also provide a whole range of enormous social benefits at the same time — by, in effect transferring the benefit of land values to the community, without the transfer of the ownership of the land.

Whatever reasons Mr. Crosland finds to justify his proposals, we have a fear that, however well meant, the Labour Party's present land proposals may be too elephantine and too complex ever to be put into effect.

It seems to us, that at a time when the resources of the local authorities of this country are already stretched to breaking point — when, as you know only too well, many local authorities would, without central government guarantees, be literally insolvent — to saddle them with this additional crushing administrative burden is . . . well, irresponsible.

Furthermore, there is the question of how much it is all going to cost. That is something about which the Labour Party is being extremely cagey. It seems that, within seven or eight years, the scheme should be breaking even — and that after that, all being well, it will make a huge profit.

It has been estimated that in each of the first years some £500 million or more will be added to local authority expenditure — equivalent to Britain's entire spending on the Concorde programme.

It all seems so silly — there is no other word for it — that all this is being quite seriously proposed when the Labour Party could obtain an enormous income at once from a simple land tax, which would not place a probably unbearable administrative burden upon our local authorities.

We end with a word of warning. At present the property market in this country is groggy, stunned and apparently dying.

But the reason why property companies are at present in such trouble is not so much because property values have collapsed. It is because so many

of them overborrowed at the peak of the boom. In fact Britain's business rents are still the highest in the world and likely to remain so. Values are probably where they were just two years ago. And the market is merely, for the time being asleep.

If Mr. Crosland's scheme does not for some reason or other come off, and we hope we have shown you certain reasons why we think it may not — then there will be nothing to prevent the monster waking up again and raging even more terribly than before.

And if that happens, we shall look back to these months of 1974 as the time when simply for the want of a clear mind, we let slip the greatest opportunity for proper land reform we have ever had.

(Extract from a paper presented on October 29 at the National Housing and Town Planning conference at Brighton.)

Comment

Booker and Gray's most telling argument is that in any measure of land reform, landowners should be treated alike, that is to say, land already developed should be treated exactly the same for taxation purposes as land newly developed. If the tax on all land that is proposed is high enough, comprehensive enough and swift enough, it might well be that development gains taxes and existing-use purchase values could be dispensed with.

On another point — the authors of the excellent paper are a little less than just to the proponents of Henry George's ideas. Booker and Gray say: ". . . there is one absolutely crucial distinction between site-value taxation and the sort of tax which we are proposing. The followers of Henry George have claimed — and this is one of the greatest objections to the traditional land tax idea — that the value of a piece of land is somehow intrinsic to its situation, regardless of the use to which it is put. Of course, this is not the case. The value of a piece of land is determined not only by its situation but also by the use to which the community allows it to be put."

It is one thing to say that the value of a piece of land is unaffected by the *actual use to which it is put* and quite another to say, as indeed we do not, that the value in the market of a piece of land is unaffected by the use to which it is *allowed to be put*. The criterion of land values for taxation purpose, or indeed for most other purposes is, or should be, the price that a willing buyer will give in the market place. Therefore, anything which affects market value, and this will include wayleaves, restrictions on buildings, covenants, duties or indeed anything that prevents a user from realising the land's full potential, must be reflected in the valuation for taxation purposes.