

**Q** Will LVT raise sufficient revenue?  
How much could it raise?

**A** Some land value is to some extent already captured by society but mainly via indirect taxes and not often by direct taxation. We're back to location again but most modern economies would find the potential income far in excess of the cost of collection.

We should also remind ourselves that LVT is desirable in itself because it does not distort or cause shrinkage of economic activity as do other taxes. A subsistence economy will have very low land values and such economies usually have low levels of public expenditure.

However, any public investment plan which is designed to improve the economy, such as irrigation or roads, will find it will be able to finance part if not all of the expenditure by taxing the enhanced land values it creates.

If however you mean will LVT cover the whole of government expenditure, then the answer is that we really do not know. Assuming all other forms of taxation remained in place, the answer is probably not. A nation wide valuation would need to be undertaken first to establish the taxable potential.

We wouldn't of course consider financing public expenditure totally out of income tax alone would we? We would expect government to adopt those taxes, which are the least damaging to the economy as a whole!

The gradual replacement of distortionary taxes by LVT should lead to a more buoyant economy which will eventually lead to an increase in the annual value of land and indeed all natural resources which command a value. A reduction in welfare expenditure as a result of greater employment opportunities could also be expected.

There is an economic theory that all taxation is ultimately at the expense of land value.

If that is so, then the "real" annual land value equals the total of all tax revenue plus the existing annual value of land. That would suggest an annual revenue stream surplus to requirements. The excess could

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# Qs AND As LVT

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## JOHN JAMES replies to questions on the economics of land taxation

be paid as a public dividend, an earth share!

Land in the economic sense, means any natural resource. There are resources, apart from land area, which have acquired value without human effort but by demand alone.

Some examples are: the radio spectrum, mineral rights, water rights, fishing rights, the right to pollute the air or waterways. Doubtless if some one could privatise the sun and the rain, you'd also be charged for sunshine and shower.

Estimates of annual land value of the UK have been attempted. In 1985 they were estimated at £58 billion and £100 billion for 1990. A similar exercise for the USA was

also done. The estimated annual value for 1996 was in excess of \$900 billion.

These amounts could have formed a significant part of public revenue.

What is more revealing is that a team led by Professor R. Costanza of the University of Maryland, USA, valued the whole ecosystem and came to the conclusion that by the year 2000 that it's annual value would be of the order of £3,000 or US\$5,000 per head per year.

Apparently, the team didn't include actual land value!

Remember that these values are publicly created values. To tax them is morally as well as economically sound. A proper land valuation seems eminently sensible.

LET's summarise the arguments so far covered for land value taxation (LVT) :

- ✓ The tax doesn't get passed on.
- ✓ Land value is a public value and deserves to be taxed.
- ✓ LVT will promote optimum land use.
- ✓ LVT satisfies the "ability to pay" principle.
- ✓ Evidence suggests LVT can raise a substantial proportion of public revenue.

**Q** Couldn't we just tax the increase in land values at first, that way no one would lose an existing value would they?

**A** That can be done but the initial revenue flow would probably be insufficient to cover the initial valuation and collection costs. Better to start with a fixed percentage collection. Anyway, some land values fall.

**Q** Prices, leases and rents often relate to land and buildings combined. How practical is it to separate these mixed values for tax purposes?

**A** It can be done. Australia, Denmark and other countries already do it. The two Whitstable surveys carried out in the UK proved its practicality, so much so that the valuer became a convert to LVT. Some areas in Pennsylvania, USA levy the "Split Rate" where different rates of tax are levied on land compared to buildings. It's not a problem.

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## SKYE BLUES

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enforce those conditions, and secondly, if those conditions are not met, then, in the name of the public interest, to claim back for the public what the landlord has forfeited by his breach of contract?

Counsel's Opinion is that, due to their vagueness, MacLeod's titles are only "capable of including the Cuillins", and that "Consequently the extent of the subjects conveyed depends upon the extent of the possession [and that therefore Mr MacLeod] must rely on the positive prescription...of 20 years." This is to say, that if the laird's claim of lordship over the estate has not been substantively challenged within the last 20 years - if he has "possessed the land ... openly, peaceably and without judicial interruption" - then it is his. It is notable that the general law of reset is not so limited in time.

The old law is read to sustain the status quo. That is what this investigation has confirmed. Reform requires new law, written in the full light of burgeoning social wisdom and justice. For, otherwise: "The commer-

cial landlord...is of all citizens the most pernicious, who burkes all inquiry into the foundations of his right, and who with the aid of lawyers and priests, fills the eyes of mankind with the dust of ignorance".

**T**HE SCOTLAND Office response concluded that the investigation proved the need for the current land reform proposals to be only a beginning - that ongoing legislative proposals would be needed.

Brian Wilson was satisfied by the result, and he explained why: "This has been a worthwhile exercise. It is the first occasion on which such a claim of ownership has been subjected to this kind of scrutiny. The conclusions highlight the fact that any meaningful challenge to such claims of ownership will only come through legislative change rather than interpretation of existing Scots law."

And that is what our new Parliament is for.