

Green and pleasant land?

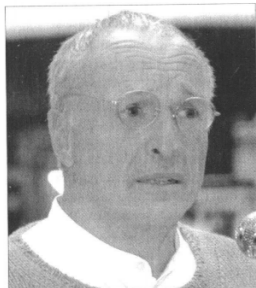
Tony Vickers



England seems to be becoming more fertile for land taxing ideas since the Conservative government was ousted in 1997. This year's elections to the European Parliament have produced three new Members who are prepared to promote policies long advocated by this journal. At least one has noticed, tucked away in an appendix to a major new report commissioned by the Prime Minister, an admission that a land value tax "should be relatively simple to implement".

The 'north-south divide' in England has the potential to bring together allies from the declining industrial north of the country and the overheated economy of the south-east, which is where the three new MEPs have their constituencies. England currently displays ridiculous extremes of land prices: in some northern cities, homes can hardly be given away, yet land for new homes 200 miles to the south fetches £1 million (US\$1.6m) per acre.

The link between pressure to develop green fields in the south and the need to regenerate inner cities mainly in the north was recognised by the international architect Lord Richard Rogers, commissioned to produce a report on the future of city life in Britain by Prime Minister Tony Blair early in 1998. An appendix to Rogers' Urban Task Force (UTF) report *Towards an Urban Renaissance* acknowledges that fiscal measures are among the most important to ensure that city living is made attractive. It



■ Lord Rogers

accepts that land-value-based taxes such as site value rating are very effective in many countries and that it may be time to look again at such taxes for Britain.

Dr Bob Evans of London's South Bank University, commented on the UTF's fiscal recommendations in *Town & Country Planning*: "A surprising number of influential commentators suggest that the advantages of a wider, land-based tax such as site value rating are substantial". In the same magazine, Professor Tony Champion of the University of Newcastle-upon-Tyne (a northern city with considerable problems of blight) says: "The concept of site value rating should be given a new airing".

One of those who has aired the concept in public, in the national daily broad-sheet *The Independent* was the runner-up in this summer's election for leader of the Liberal Democratic Party, Simon Hughes.

"Land-value-based taxation as a replacement for the uniform business rate would be a way of preventing over-development in one area and encouraging it in another", he wrote. And to his party's LVT Campaign Group he said, during the leadership race: "I want us to consider urgently promoting LVT".

Hughes' party, with 46 members at Westminster, is the largest 'third force' in British politics for 70 years. It endorsed a 'tax shift' economic strategy at its 1998 conference, thanks largely to the advice of former city editor of *The Independent*, Chris Huhne. Huhne (who writes in the foreword to

a new booklet *Shifting the Burden*: "If ever there was a tax with moral credentials, this is it") represents the European Liberal Democrat and Reformist (ELDR) group on the European Parliament's Economic & Monetary Affairs Committee. His south east England constituency is under severe pressure to roll up its 'green belts' and roll out concrete and tarmac to accommodate the influx of high-tech firms and their employees who all want to be near the main airports.

CAN the south's prosperity be shared with the north without a return to state economic planning? Most northern politicians acquired reputations – and expect to retain their local power bases – from success in attracting injections of central government and European subsidies to industry. 'Enterprise Zone' status for cities like Liverpool, which has seen a quarter of its population leave in 30 years, attracts grants from Whitehall. This gravy train to the north failed to keep the southern Tories in power nationally and did nothing to shake the grip of Labour on City Halls – until Labour at last won power in Parliament in 1997. This promptly led to disillusion in the north, where Liberal Democrats supplanted them on Liverpool City Council in 1998 and in Sheffield in 1999.

Hughes seems to realise that the road paved with subsidies and grants is a dead-end. The best indication that there is surplus wealth in an area, available to be gathered as public revenue, is sky-high land values. When a penny in the pound from a tax based on land values could rake in twenty times per acre from central London what it ekes out of Liverpool's dereliction, why not let the market forces that would be unleashed by an annual national land tax cure the underlying disease?

The Green Party, even more than the Liberal Democrats, seems to have got the message. In their manifesto that helped Jean Lambert (London) and Dr Caroline Lucas (south east) win seats for the Greens, it was clear that LVT was a major part of Green

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GOVERNMENT Minister Keith Hill explains to *Land & Liberty* readers how Britain plans to introduce charges for the use of a scarce resource – peak-time use of urban highways.

In *A New Deal for Transport*, the Blair government identifies congestion as one of the principal costs of the

In the Spring 2000 *Land & Liberty*

growth in traffic. Congestion imposes considerable direct costs on individual road users, businesses and public service providers through longer journey

times, journey time unreliability, increased fuel consumption, and frustration and discomfort.

Estimates of the costs vary, but always amount

to several billion pounds per year. At the same time, congestion leads to higher pollution and generates noise and nuisance, all of which affect health and our quality of life.

The road charges would ration the use of congested roads and they are a rental charge for a scarce resource.

Party economic policy. Hughes, for 13 years President of the green campaign group within the Liberal Democrats, may be seeing the electoral threat that a Green Party, campaigning with the one-time Liberal rallying cry "Land belongs to the People", represents.

The Lib Dems have a real problem. As recently as 1987 the old Liberal Party, which merged with the Social Democrats to form the new party in 1989, confirmed their support for LVT as a national tax. But then a huge experiment by the Tory Government with reform of local government taxes failed, giving radical tax reform in Britain a bad name.

The problem for Lib Dems is that they are committed to returning power to set the level of business rates to local councils – before introducing site value rating as the replacement business rate "in the longer term" (a policy confirmed in March 1999). That won't please those councils with a low ratable value, like Liverpool and some of the more rural districts, which have relatively few businesses to tax. For when Mrs Thatcher's government took local control over business rates off councils in 1989, it disguised the

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Simon Hughes MP

biggest problem that British local government finance has had for decades: the huge geographic disparity in tax base.

Hidden within the Uniform Business Rate system, a flat rate property tax which accounts for about 20% of locally assigned revenues, is a reallocation of wealth – limited but benign in itself. If the whole business rate is localised (i.e. set and retained by local councils) where will poorer councils get their money from? As the Liberal Democrat power base shifts from the prosperous south to the deprived north, the political logic to them of localising rate setting, shrinks.

But the whole concept of urban renewal, as addressed by the UTF, is flawed. The problems of cities, towns and the countryside are inextricably linked. The economic forces that cause dereliction recognise no boundaries and nor should the fiscal measures used by governments to tackle land monopoly. A green and pleasant land is also a land with prosperous and safe cities, if the unearned wealth of landowners is equitably shared through collection and redistribution of economic rent.

➤ Tony Vickers is Chief Executive of the Henry George Foundation of Great Britain. His *Shifting the Burden* (£2/£3) is available from the Foundation.

PERSONALLY SPEAKING

Taxation – A Double Meaning

KENNETH JUPP



TAXATION of Land Values can mean two quite distinct things. It would be delightful if it were taken to mean the arrangement of lands according to value in a cadastral survey, so as to determine the proper contribution each individual should make to the public purse. This was the original meaning of the word 'tax', which has its etymological roots in the noun *taxis* (Gk), meaning 'order' or 'arrangement'; and the verbs *tassein* (Gk.) and *taxare* (classical Latin), meaning 'to rank, arrange, or put in order' like soldiers drawn up for battle.

Thus in English the old meaning of Taxation was 'to rate, value, appraise or estimate'. Danegeld, the Anglo-Saxon war tax which lasted into the 13th century, was an assessment of the amount due from each family according to the number of hides they occupied. Since the extent of a hide varied with the fertility and other advantages of the ground, these had to be 'taxed' in this old sense. In the 13th century, 'to tax' still meant to determine the amount of something (a fine, a tallage, a penalty, damages etc.).

In mediaeval Latin, however, *taxare* took on a new meaning as an impost or levy, a compulsory contribution imposed by government. From at least the 14th century this new meaning has grown in use, until nowadays 'tax' almost always means an impost. Yet the older meaning survives to this day when law courts order 'Costs to be taxed'. The Taxing Master then has to decide what items are properly charged as costs, and what is the proper sum to allow for each item.

One would like to think that 'taxation of land values' also bore the old meaning, and that, as in taxing costs, it was to establish an order of land values determining how much should properly be paid to the exchequer. However, this is not possible. When, late in the 19th century, the Single Tax first saw the light in the English speaking world, the phrase was assumed to refer to a new impost or levy. That land would have to be 'taxed' in the old meaning of the word, hardly came into it.

TO TALK about taxing land in this way did not matter so much at that time, because the proportion of earnings taken in tax had not reached anywhere near the absurd level at which it stands today. Now, however, when all except the rich are taxed to the hilt, discussion of yet another 'tax' is anathema. Any attempt to interest

anyone in the question of a new tax, whether in conversation, or in a talk or lecture, is bound to fail. In the dining rooms of Westminster and Whitehall, and the Law Society in Chancery Lane, and in the Halls of the four Inns of Court, any mention of LVT under any of its guises evokes a comment such as 'Oh, the Henry George business', and an enforced change of subject. Well-read lawyers, or civil servants or even politicians may call to mind the Physiocrats and their *impôt unique*, but only to dismiss the subject as dated and uninteresting.

The Georgist case is not at-all for taxing in the present day sense of the word. Taxation is strangling enterprise, stifling lucrative labour, and allowing the accumulation of vast fortunes by the few, while the many find it difficult to make a living, and a very large number of people find it impossible to escape being kept on state welfare. Georgists know this, and say that taxation in the modern sense should be drastically reduced, or even entirely abolished. They advocate the taxation of lands only in the old sense, by listing their values, so that people pay for the benefits they get. Georgists do not want a 'land tax' in the modern sense of the words.

The gist of the matter is that justice requires people to pay for the benefits they receive from Nature, and from the community. From Nature, for the beautiful scenery, comfortable climate, fertile soil, clean air, access to sea, river and underground water, and the natural animal vegetable and mineral riches of the earth. From the community, for the capital assets left us by our ancestors in the form of hedges, woodland, plantations, roads, bridges, canals, railways, motorways airports etc.; and the current benefits available from the present day working of society. The degree of benefit received by each individual or family from all these things has to be taxed (i.e. assessed) rather as a Taxing Master assesses costs. Only so can the correct sum for value received be ascertained and paid to the community.

None of these concepts is covered by the phrase 'Taxation of Land Values'. Still less apt are the three nouns, when ungrammatically telescoped into the clumsy phrase 'Land Value Taxation', or changed into the acronym LVT. There must be scores of ways of expressing our case in terms fit for the beginning of the twenty first century, without any hint of a new tax.