

Research summaries edited by Katharine Deighton

Paying for Progress: A New Politics of Tax for Public Spending

The Commission on Taxation and Citizenship of the Fabian Society. November 2000
382pp Price: £9.95

THIS MEDIUM weight book reports the thinking of the Commission on Taxation and Citizenship formed by the Fabian Society. It aims first to add to the political debate on the taxation system, but also to be a text for students and researchers in relevant fields.

In this second aim, the book functions well. It lives up to its claim to be "lively and accessible" and brings together useful reference material in chapter three: Some facts about tax and public spending. This shows convincingly that by any measure, the British tax system has acted regressively for example and also provides a useful summary of recent tax history in relation to public spending. Later chapters provide a good overview of much of the range of thinking on possible taxation systems including hypothecation, particularly for the environment, as well as covering income tax reform and land taxation.

It is possibly this approach of devoting so much consideration to the overall current taxation picture that reduces the report's usefulness in steering the

debate. One would not need to be a 'Georgist' to be disappointed with the limited treatment of land taxation in chapter 13.

The chapter identifies and summarises the main advantages of Land Taxation and attributes these to Henry George in *Poverty and Progress* (sic). Unfortunately, the writer underestimates the scope of George's ideas.

"The radical and impractical nature of the Georgists' single tax proposal has led to its general dismissal in political debate over the last century." (p 318)

The rest of the chapter then works on the principle of land taxation as a form of environmental taxation and weighs it accordingly. In doing this, the commission looks at Uniform Business Rate, VAT on building conversions and greenfield development tax as forms of land tax. In doing this, some of the simplifying potential of Land Tax is missed, and consequently, the reduction in administration costs. In addition, it is suggested that a greenfield levy would be better

raised as VAT on houses sold rather than on land to minimise valuation problems.

Towards the end of the chapter, there is an encouraging glance at how land tax could be introduced. The report mentions objections to do with valuation and the planning system. Curiously, the former objection is overturned on the basis that even if the first valuation would be complex, subsequent rounds would be much easier, particularly since they could be done by plot rather than by building. On the planning system, the report notes that unlike the US, the British planning system is discretion led, although it goes on to say that this is shifting to a more plan-led system. The conclusion, that we need more research and a pilot project is sensible, but the reviewer would have liked a greater sense of urgency.

By way of a postscript, it is worth saying that the earlier chapters do contain some interesting discussion on the commissioned research into public attitudes towards tax.

Estimating Distance Gradients for Apartment Properties

Soderberg B, Janssen C in *Urban Studies* 38: (1) 61-79 Jan 2001

CONTINUING the theme from the report of Geographical Information Systems last issue, this article models the relationship between property characteristics and the price, assessment and income associated with the property. The case under consideration is apartments sold in central Stockholm during a recent three month period. However, the results of this method could be more generally applicable.

The aim was partly to estimate price gradient and also the implicit capitalisation rates over distance from the city centre. Because rent control ordinances are in operation in Stockholm, there is no rent gradient, however, there is a negative price gradient, which probably shows the presence of a negative land rent gradient from the city centre. This in itself may not be so surprising but the value is in finding robust methods to show this.

Rethinking Taxation

Tony O'Brien in *Progress* pp7-9 Autumn 2000 of the journal of "Prosper Australia"

THE TAXATION rethink is about replacing income and other tax with land based taxes in Australia and this article reports research by the Land Values Research Group in Australia together with eminent economists. Although the full results will not be available until the middle of this year, there are plenty of interesting initial suggestions.

Australia is a good case to choose for this study because it has both a long history of land taxation and currently raises relatively high levels of revenue from alternative tax systems, particularly so that the ageing population can be supported. This study therefore looks at the economic feasibility of a replacement land and resource rent and the social consequences of this.

The preliminary findings suggest that there could be a 30% saving in administrative costs, a reduction in annual revenue demand of \$136 billion. Further calculations show that \$150 billion from the economic rent currently goes into private hands from unimproved value of sites and resources. The average household currently pays \$22 000 in tax and this could be reduced to \$9000. The model takes into account the dynamic changes resulting from imposition of land tax. Further advantages would accrue through increase in disposable income leading to more employment and reduction in complexity of the tax system.

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