breaking ground

Land reformers say their piece

Sir Peter Burt's Scottish Local Government Finance Review – the Scottish equivalent of the Lyons Review - has taken evidence from several parties advocating land value as the proper base for public revenue.

At one Review Committee hearing witnesses Peter Gibb and Fred Harrison appeared for the Henry George Foundation. They argued that "the evolution of the Council Tax and Non-domestic Rate - *inter alia* to base them on land values - would convert them into 'good' taxes in terms of their beneficial effect on the wider Scottish economy".

The witnesses presented calculations - using what they pointed out were over-cautious Treasury formulae. These led them to predict that the opportunity cost to the Scottish economy of failing to evolve the system of local government finance "is an ongoing massive £569m every year. Such an evolution of the current system" argued the witnesses "is the only policy option before the Committee which delivers the economic growth sought by its terms of reference."

The Review's remit could lead it to a broader examination of the fiscal landscape - onto national Scottish as well as local taxation policy. The witnesses pointed out that the Scottish Parliament's use of its powers to vary the rate of income tax could be used to *reduce* the tax burden on work, and transfer it onto land values. The result of doing so, according to Gibb and Harrison's calculations, would be a yearly gift of £189m to the Scottish economy.The witnesses told the Committee that, in fact, the total figure of some "£8bn in foregone wealth & welfare" was "the measure of the test that challenges the Local Government Finance Review Committee."

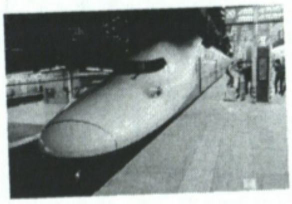
And the imperative for change was not only dryly economic, the witnesses said - there was a broad case for reform. "The evolution of Scotland's wider tax system would bring even greater dividends for society and the environment."

A subsequent hearing took further supporting evidence from Mark Ballard MSP, Scottish Green Party Finance Spokesperson, Professor Roger Sandilands of Strathclyde University, and Toby Lloyd of the London Rebuilding Trust. *See Fresh Thinking, p 10-11*

Biting the land value bullet

The Scotsman reports that transport experts are calling for a 200mph bullet train between Edinburgh and Glasgow to be funded by the residents and businesses who would benefit from the new service.

"If plans for a high-speed link between the two cities are announced," says the paper, "properties are likely to soar in value - but only owners and landlords would make a profit. If the extra cash was instead pumped directly into the ambitious project, it would help towards paying the multi-billion-pound budget."



Chris Green, a former head of Virgin Trains and ScotRail, believes that land value capture should be encouraged, the report said. "This would be a very logical way of financing the project. Otherwise, most property prices will shoot up in value, but the person who built the railway won't make any profit. If we can lock in the benefit of schemes like this, there will be far more transport projects in place."

The bullet train could almost half the current 45-minute journey between the cities. The existing service has long come under criticism. As the paper's Bentley-driving motoring correspondent pointed out only last week - comparing the present train and car journey times between the cities - "you don't need extreme speeds and the finest car in the word to beat a train of any colour."

Arkansas flurry

A population explosion in Northwest Arkansas is driving up land prices, to the point that "housing there has become too expensive," a local estate agent told the Missouri daily *The Joplin Chronicle*. But the trend pushes back the way, too. Ken Schroader is among those who have packed up and left. "First," Schroader claimed, "land values have gotten to the point where the land is too valuable for farming and agricultural purposes. I sold the farmland I purchased seven years ago at Siloam Springs for three times the value of what I purchased it for. Second", Schroader worried, "is that it is almost impossible to find a sizable piece of land. Anything over 100 acres is nonexistent down there."

letter from the editor

The UK government's plans to introduce a Planning Gain Supplement do look as if they are doomed. If the powerful range of interests set against the proposal doesn't ensure its pre-legislative demise, then the idea's very nature will ensure for it a short and unhappy life on the law books.

PGS would impose a charge on the granting of planning permission to develop. Its supporters - the government - argue it recoups some part of the incremental uplift in land value unlocked by the public consent to develop.

The proposal's detractors come from all sides. They argue, among other things, and it's a long list: it is too insignificant a tax capture; it is too bureaucratic; it ignores on-going land value gains not associated with 'development' requiring consent; it leaves alone associated value uplifts around the development site; it ignores all pre-existing land values; it serves as a deterrent to desirable development, being a development-triggered tax; and as a once-and-you're done payment it lets owners off the hook for their on-going obligation to compensate the community for the benefits provided to their site by the surrounding infrastructure and services on hand day on day, year on year.

The reason for the government's interest in the idea of PGS is clear. It has recognised the propriety and worth of the principle which underlies the scheme. The government has begun to understood that land values are created by the presence and economic activity of society at large. It is also coming round to seeing that the exchequer should have the call on that value, to defray the community's costs in providing the public infrastructure and services which create the value. So far so good.

But the government has also seen something else, and seems over-sensitive to it: the political power of a really good idea. Unfortunately, the louder voices in their internal debate so far are those troubled by the risks and threats to their own hold on power that the idea may pose. And that's a shame, and a lost opportunity for us all - not least for the longer-term interests of this would-be reforming radical-thinking government. Maybe the Tories or the LibDems under their new leaderships will turn out stronger.

The government could have responded to its new political insights with wisdom and strength and leadership, and gone on with a well-spun story to enjoy the electoral glory which it could fairly expect. It has instead chosen to bumble down a wandering policy path which it seems to have hoped would be one of least resistance.

Planning Gains Supplement is surely doomed. It is an idea based on sound principles, but it is wrong headed. It will not work, and its opponents are unlikely even to let it try to work. History - amazingly four times – shows us it will not work. And those who do not know that history can buy the book from the Henry George Foundation.

It is to be hoped that before too long the government will recognise both its own wisdom and its mistake. And that it will announce its intention to develop, out of its *initial, outline* ideas, a more meaningful, a more sound, and a more acceptable public policy proposition – land value taxation.

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