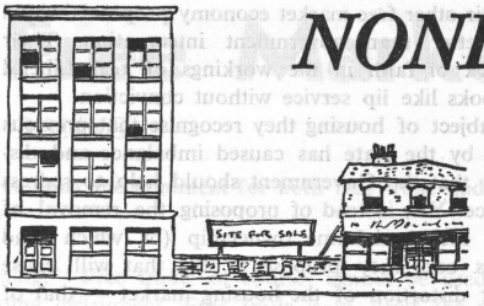
NONE WO

Review of
B.Sc., Ph.D., M.
of Land Values



OF THE professionals and academics in Britain today who may loosely be called "land specialists," Dr. Lichfield is probably the best known. Certainly as far as students of land economy are concerned, his name commands attention through the almost mandatory study of his book *The Economics of Planned Development,* which is a standard work of reference for town planners and valuers. His contribution to the colloquium was shrewd, concise and well presented.

Drawing attention to the socialists' traditional commitment to nationalisation *per se* Dr. Lichfield said that in his view the reasons for rejecting land nationalisation today were much the same as those given by the Uthwatt Committee in 1942. Today's political climate would not be favourably disposed towards land nationalisation, and therefore irrespective of the advantages or disadvantages of such a measure the time was not ripe for it. Nevertheless, taking a pragmatic approach to the task he was set, Dr. Lichfield went on to examine those measures that have been advocated in the past for solving the compensation and betterment problem and which fall under the broad title of land nationalisation.

Dr. Lichfield's starting point, however, was a limited one, for, in his view, "the compensation-betterment issue arises simply from Government intervention in the private land market, from public purchase to the more complex effects of planning control." This infers that if public agencies did not acquire land or did not have powers of planning control no problem of rights to benefits derived from land or of loss of those rights would arise.

This is to take the narrow view of betterment and "worsement." Without government intervention land values would still tend to increase in many areas (and to decrease too, though on a very much smaller scale) and if taxes were based on land rental values, they would rise and fall with this value providing equity for all.

Dr. Lichfield's primary interest is in town planning and he gave the following six reasons for the need to tackle the compensation-betterment problem from a town planning point of view:

1. Comprehensive planning and redevelopment on contemporary standards in urban areas is difficult to secure on land held in small parcels in private ownership.
2. Planning authorities are in practice distributing large amounts of wealth and income, which introduces tension in the planning process.
3. The increasing price of finished development has been rising faster than the general price level, and so, therefore, has the price of land. This gives rise to pressure for more land to be released for development, thus undermining the planning process.
4. Since public authorities must pay market prices for land for public uses the public facilities become expensive and encourage the use of cheaper land in poorer locations.
5. The high market price payable for badly-developed land needed for urban renewal retards the pace of renewal.
6. Prices paid by local authorities for urban land contain some element of value attributable to the future potential value. Thus the authorities cannot afford to provide the best facilities on renewal because they are deprived of some of the enhanced value in the cost of acquisition.

Dr. Lichfield suggested that these obstacles tend to result in an allocation of land to uses and development that is not in the best public interest as well as in a distribution of wealth that is manifestly unfair, thus raising doubts about the propriety of "unearned increment" flowing into private pockets.

From the standpoint of the town planner Dr. Lichfield gave two sets of criteria that might be used to assess the different methods of tackling the compensation-betterment problem:

Allocative Criteria

A balance must be struck between developers' incentives and public cost that does not inhibit development.

The proposed solution must not make it impossible to carry out planning objectives.

Any system should be administratively simple and not require the impossible of valuers.

The proposals should not involve a massive transfer of assets to the public sector where this would disturb the economy.

Distributive Criteria

Land owners should be treated uniformly and "fair prices" should be paid by public authorities.

Increasing values resulting from public action should be returned to the public purse.

Other unearned increments should be shared with the community.

Taking these criteria, Dr. Lichfield went on to examine five degrees of land nationalisation:

Temporary transfer for re-allocation to individuals.

Some form of public acquisition and resale or redistribution by share interest, turning on a planning permission and perhaps with the "surrender" free of charge of lands that are required for public service purposes, coupled with a development charge.

Unification of development rights. Some form of development charge on the lines of the 1947 Act.

Part nationalisation. The Land Commission approach, plus some form of betterment levy.

Unification of the reversion. Nationalisation of all land by one administrative Act and the granting of a state "life" to every building. During the "life," rent would be payable to the state in proportion to increases in land value. On expiry of the limited building life the state would acquire

TH THE CANDLE

By P. R. Hudson

paper "Land Nationalisation" read by Dr. Nathaniel Lichfield, . (Town Planning and Economic Consultant) at the Colloquium in London, March 13 and 14, under the auspices of the Acton Society Trust.

the site at "existing-use value" at the vesting date and pay some degree of compensation for loss of development value. Land would then be leased back to willing developers or developed by the state.

Complete nationalisation. State acquisition of all land as soon after vesting date as possible.

Dr. Lichfield pointed out the possible merits of each case and cited precedents, examples and past experience. The re-allocation proposal, in his view, fell short of the criteria of judgement on the distributive side. Control and management of the development would not be tight; there would be no possibility of gaining for the community rises in land value occurring during the life of the property, and the measure would not affect established property. These same criticisms were also applicable to the development charge approach, and supplementary measures would be necessary.

Dr. Lichfield regarded the Land Commission proposals as slightly more favourable on the "allocative" side but he again saw disadvantages on the "distributive" side and suggested that a supplementary site-value tax might be necessary for developed land and underdeveloped land which the Commission did not propose to acquire. He pointed to the double market that could emerge and the possible need to impose rent control on completed projects if it were found that people had difficulty in meeting market rents, assuming that the state ground leases were at market value.

Dr. Lichfield considered the "reversion" method to be both very traditional and very revolutionary, but ingenious as it was this scheme was limited by the difficulty of assessing the "life" of existing buildings; it would be most unpopular to introduce, could inhibit private development and changes in use, and would take a long time to have a significant impact. On the "distributive" side, however, the proposals contained considerable merit.

On straight nationalisation Dr. Lichfield was of the opinion that "the game would hardly be worth the candle," since there would be great administrative difficulties and much opposition.

Ending his paper with a brief review, Dr. Lichfield concluded that if land nationalisation became a political possibility the unification of the reversion was the most attractive method, since it "had the charm of being both gradual and Draconian, traditional and revolutionary," if the difficulties could be overcome. "It would enable us to secure the best use of land . . . if we could learn the art of nation-wide estate management in the public interest."

Since Dr. Lichfield's "brief" was to cover land nationalisation, it would be unfair to suggest that he ought to have examined land-based taxes in his survey. Since he is also a town planner it would be equally unfair to question his planning arguments for looking for a solution to the compensation-betterment problem. Nevertheless it is important to examine the planning criteria, since these were clearly in Dr. Lichfield's mind when he opted for the leasehold reversion approach to land nationalisation.

It could be argued, of course, that the leasehold reversion system bears great similarity to a land-value tax, with the important difference that control over new development and change of use would be far greater, since the state's influence as ground landlord would be considerable. Henry George acknowledged that land nationalisation was one solution to the land question, although he never supported it. As an exercise, however, we may consider how far a land tax approach would meet Dr. Lichfield's planning criteria.

A land-value tax would assist the unification of sites in central areas; would minimise the injustices resulting from the present planning legislation, reduce the cost of land required for public purposes, speed the pace of urban renewal and encourage municipal improvements that maintain land values generally. A land-value tax, therefore, would go a long way towards meeting the planning obstacles that Dr. Lichfield cited.

As far as the pattern of urban development is concerned, the unsatisfactory layout of our towns today is to a large extent attributable to the monopoly position of the land owners in the past and of their successors. As Richard Ratcliff once said: "The basic objective of city planning is to attain the same land use pattern that would emerge naturally in the urban real estate market under conditions of perfect competition." There can be no doubt that a land-value tax would "unravel some of the difficult tangles facing every planner."*

A land-value tax would have many planning advantages, and would certainly meet most of Dr. Lichfield's assessment criteria on both the "allocative" and the "distributive" sides.

Meanwhile, let us agree that land nationalisation is not worth the candle.

---

* See "When Homes are Taxed" by Mary Rawson, *Community Planning Review*, March 1958.

IF land is taxed according to its pure rent, virtually all writers since Ricardo agree that the tax will fall wholly on the land owner, and that it cannot be shifted to any other class, whether tenant farmer or consumer. . . . The point is so universally accepted as to require no further discussion.

—Prof. E. R. Seligman, "Incidence of Taxation."