

Community - Created Land Values — A Contentious Concept

BY PAUL KNIGHT

ONE of the main principles of the Government's proposed Land Commission is that "a substantial part" of socially-created land values should be returned to the community. Leaving aside the fact that the Bill will do no such thing, it will be of interest to look at this contentious concept of community-created land values.

Those who favour a levy on community-created land values usually identify such values as those which arise following the granting of planning permission. The community grants the permission, therefore the added value belongs to them. This idea is then extended to include increases in land values which follow the making of public improvements; the community's money is spent by the various authorities and if it enhances the value of land then this betterment should flow back into the public purse.

Up to this point even Conservatives concede that there is some form of social justice in this. Yet no one seems to question the logic of deciding upon a particular point in time in which to draw an arbitrary line to achieve "social justice." The collection or enjoyment of the value of land is not a "once and for all" act; it is a continuing act. Land values that were released by planning permission or engendered by public works thirty years ago are being enjoyed today and every day and have a marketable value because of their potential enjoyment in the future. Moreover it would be a mistake to think of these values as having been created thirty years ago. They were not. They are being "created" or more accurately, maintained, this very day by the activities, presence and demands of the population. A licence to collect increases in land value is a continuing privilege, and one conceded thirty years ago differs in no way from one granted last week so far as the present community is concerned.

But what of "privately" created land values? It would be impracticable, if not impossible, to distinguish, for taxation purposes, between community-created land values, as previously described and "privately" created land values, although it has been suggested that this could and should be done so as to exempt the latter from taxation or levy.

Privately-created land values, as distinguished from community-created land values, have been defined as those values which arise by virtue of the unconscious acts of the community in going about its own business. It is argued that this distinction is a very real one, and the case for exempting these values from special taxation has not been better put than in a leading article in the *Estates Gazette* last December.

The writer argues that the profit-making known as

betterment should not be treated in any way different from other forms of capital gains. He says: "Let us take a case where betterment is conferred by private enterprise. Here almost every single activity going on around us shows that benefits are transferred from one to another in all our actions. This is one of the reasons why man lives in society and not in remote and isolated caves. Every human function spreads benefit from man to man, yet no one suggests that tailors pay betterment charges to dry cleaners. A man who builds a large block of offices and fills them with hungry workers confers enormous gains on the adjoining restaurant owner. Yet it is possible that the very presence of the restaurant is what caused the office developer to choose his site. The interaction of market forces in the free enterprise sector of society is in some measure fundamental to that society. A proposal to differentiate against one such force ought to be the subject of more mature proposals."

The flaw in this otherwise well-reasoned statement lies in the writer's neglect of the fact that *only the owners of the land can benefit*. It is true that shops, offices and factories throw values across the street to each other during the growth of the community. Every Woolworth store confers a benefit on adjoining land, and, conversely, every Woolworth site benefits from surrounding activities and amenities. But thousands of people in any community are also participating in the "interaction of market forces," as also are the *tenants* of premises who have to pay the increased values to land owners who, merely as land owners, contribute *nothing*. If we could imagine everyone in the community as having equal shares in the land, and thus sharing in increased land values, then all would participate in both the creation and enjoyment of land value on equal terms.

The whole difficulty arises because land has come to be regarded as a *commodity*, which it is not. If everyone born into the community had an acknowledged right to share in what is not the creation of man but a gift of nature the whole question of betterment would never arise. Land values would be assessed regularly, taking into account appreciations and depreciations, and the annual value of that land would be returned to the community by way of relief from other forms of taxation.

Maybe that is looking too far ahead, but if we are to achieve land reform by slow steps, then let them be the *right* steps, i.e., taxes on the rent of all land or the rating of all sites. The Land Commission foolishness will get us nowhere.