

by current owners, and that they should be compensated for the loss of that value, can be traced to J. S. Mill. So far as the Taiwanese are concerned, the moral basis of this base value is established as a result of "the owner's investment or improvement," which ignores the fundamental question of how the original land value below the base-line (and leaving aside the value of capital improvements) was created.

In policy terms, this means that there is a value to be traded in the market like any other asset, which must inevitably result in speculative activity. When Chang claims that "It is unfair that the land owner is allowed to monopolize the incremental part of land value," he is defining equity in an arbitrary way. *For the whole of the economic rent of land is socially-created, and ought – in all conscience – to be taxed away for the benefit of the community.*

**I**T IS NOT surprising, then, that the Statute for Equalization of Land Rights (1977), which relies heavily on the land value increment tax, has not succeeded in abolishing speculation.

The authorities have fallen back on bureaucratic planning in a bid to arrest speculation. According to Dr. Lee:

"Owning land in the urban fringe had become a quick way to get rich. Since 1976 all lands are subject to taxation of increment value. Although land speculation has not been completely arrested, the levy of increment tax combined with regional planning and land use restrictions have greatly improved the situation of uncontrolled urbanization."

This complimentary strategy – planning the land market with instruments such as zoning regulations, combined with the increment tax – introduces an ironic twist into Taiwan's politics. For her key ideological weapon against the Peking communists has been the superiority of the free market over the socialist economy on the mainland.

Certainly, the contrast in the material and spiritual welfare of the two populations has vindicated the Taiwan leaders. *But their policies are now being deflected along a path that, logically, must lead towards the socialist style of economic regulation that has been ridiculed for the past 30 years.*

There are dangers in this approach, apart from the loss of the propaganda initiative. The land use plans have introduced a rigidity that will limit the economy's ability to adjust to the sharper competitive edge that will begin to cut into international trade as the western economies

recover from the global recession.

Already, there is evidence of less intensive use of rural land, and an increased competition for industrial land which requires the flexibility of a free market to satisfy.

The disadvantages of the two main policy planks – a tax on incremental land values at the point of sale (why sell when you can avoid the tax by holding onto the land?), and stricter land use planning – cannot be offset by the additional power of levying a heavier annual tax on vacant land.

**T**HE RATIONAL strategy would be to shift in Henry George's direction.

A very high tax on the annual value of all land (in recognition that the whole of the economic rent of land is socially-created) would deter speculation and bring vacant land into use; there would be no incentive to hold surplus land off the market, and no need to levy an additional tax at the point of sale.

Within this framework, there would be no need to plan land use according to bureaucratic criteria: the free market would determine the best use to which land should be put, subject to obvious environmentally-desirable regulations (such as the control of pollution).

This policy emphasis would accomplish the goals articulated by Taiwan's leaders, shifting the economy even further and faster in the desired direction by equipping the dynamic citizens of this tiny island to take on all-comers in the 1980s.

So far, Henry George appears to have lost out in the philosophical fracas with John Stuart Mill. This must bode ill for the people of Taiwan. But it is not too late to change course.

#### REFERENCES

1. Chen Cheng, *Land Reform in Taiwan*, Taiwan: China Publishing Co., 1961, p.10.
2. A. M. Woodruff, 'Progress & Poverty: A Hundred Years' Perspective', in *Henry George and Sun Yat-sen: Application and Evolution of their Land Use Doctrine*, Cambridge, Mass.: Lincoln Institute, 1977, p.35.
3. C. F. Koo, 'Land reform and its impact on industrial development in Taiwan', in J. R. Brown and S. Lin, eds., *Land Reform in Developing Countries*, Hartford, Conn.: The University of Hartford, 1968, p.374.
4. J. C. H. Fei, G. Ranis and S. W. Y. Kuo, *Growth with Equity: The Taiwan Case*, Washington: World Bank, 1979.
5. *Progress & Poverty* (1879), centenary edn., New York: Robert Schalkenbach Foundation, 1979.
6. Wei-I Chang, *A Briefing on Equalization of Land Rights*, Ministry of Interior, Republic of China, June 1980.

## DERELICTION

## Inner Cities Search For A Policy

**T**HE LONDON Borough of Lambeth has received quite a lot of press coverage in recent months. The Council has been bitterly attacked for defying the government's exhortations to reduce expenditure. Many ratepayers have protested vigorously about the decision to raise a supplementary rate averaging £50 per domestic payer. According to one article<sup>1</sup> the borough has been dubbed "The People's Republic of Lambeth". "Red Ted" – Council Leader Edward Knight – is a self-confessed Marxist who continues to rule locally although he was defeated when he recently stood as Labour candidate for the Greater London Council.

In the north and most valuable part of the borough the

battle over the redevelopment of the Coin Street site continues between community groups and Environment Secretary Michael Heseltine. And then there have been the Brixton riots. A sad tale for a deprived area.

The Council has tried to maintain a large rolling programme of public housing. It owns 33,500 homes, of which 3,750 were empty at the start of this year. The borough's capital debt is at least £370m and there is no doubt that a substantial part of this sum is due to property acquisition, development costs and a low rents policy. What about vacant and derelict land? A 1980 estimate by the community group L.I.C.C.G.<sup>2</sup> suggests that there are about 120 acres of derelict land in the borough, most of



### Ownership of vacant land in Lambeth (1980)

	No. of sites	Acres
Lambeth Council	47	27
G.L.C.	27	29
Statutory Authorities	8	15
Others (with consent)	28	9
Others (no consent)	51	15
<b>Totals</b>	<b>161</b>	<b>96</b>

● *A prime – but vacant – site by The Thames in London. Report by PAUL KNIGHT. Picture by MARK BRANGWYN.*

which has no firm proposals for development. The "official figures from Lambeth give a total of 95 acres with 27 acres owned by the Council and 29 acres by the Greater London Council (see table).

The Council's survey identifies 79 sites in private ownership of which 28 had planning permission for development of some kind. However, the L.I.C.C.G. report makes the point that even where planning permission has been granted in the past many of the permissions have expired because development has not taken place within the prescribed periods. The report continues: "...there is little evidence of any (private) interest in carrying out developments on the land." And "the inner city economy, particularly in periods of recession, is apparently not strong enough for the private sector to see investment as worthwhile."

The report also notes that although the Greater London Council took a policy decision to sell eight sites for private housing development ranging from one thought suitable for 13 dwellings to one where 170 homes had previously been planned, over a year later sales still had to be agreed and there was no immediate prospect of any new building. The value of these sites on the market is (according to the report) less than the amount the G.L.C. had spent on acquiring, planning and preparing them. "Many of them," the report continues, "are in areas that are unlikely to appeal to private housebuilders, who have anyway shown little enthusiasm for building in the inner area of Lambeth."

Lambeth Council does not approve of the sale of sites in public ownership, but it would be prepared to enter into suitable leasehold arrangements with private developers who were willing to undertake industrial or commercial development in selected areas.

**T**HE COMMUNITY group report also draws attention to land held by other public bodies and cites cases of land held by British Rail, the Area Health Authority and the Inner London Education Authority. The total picture is one of delay in building plans resulting in dereliction and decay. And along the valuable riverfront at Vauxhall and Waterloo the three major Esso, Effra and Coin Street sites are still awaiting development at various stages in the planning process and have been vacant for years.

In searching for a solution to contemporary dereliction the report concludes that there is no easy solution to the problem of wasteland in Lambeth. There are many small

sites (the report claims), and examples highlight the problems of effective planning for new homes, parks, factories, schools, health facilities and offices, subject as they are to changing policies and finances – particularly cuts in government programmes.

On the positive side the report includes a number of examples showing how community groups have helped to improve the local environment in co-operation with the public authorities by establishing playgrounds and temporary parks. These small gains were achieved in spite of many difficulties and sometimes long delays as the paperwork was shuffled within the bureaucracies.

What are the lessons to be learnt from the study? The report makes 13 main recommendations including the charging of rates on vacant land in private ownership. It advocates that government grants should be made available to treat derelict sites in inner city areas and that a national programme of wasteland clearance should be established. It also urges the speeding up of the planning permission process and modification of the rules for land transfers between public authorities to facilitate speedy transactions. Changes in the compensation code is also advocated to enable compulsory land purchases to be made at current use value.

These recommendations are all well-intentioned: the objective is to get something done to ameliorate inner city dereliction. The report confirms that in the past some public spending programmes were over-ambitious and that the decision-making process has been slow. There has also been some speculation and also a lack of determination as well as funds.

The problems of the inner city are complex. It is true (but not much help) to point out that many of the problems would not have arisen if there had been a tax on site values as advocated by the former London County Council in 1939. However, to introduce a vacant sites tax now would certainly be a start in the right direction even if a little late in the day. There is certainly a need for continuing pressure in this and other directions if the inner cities are to be made more self-sufficient and economically viable. Lambeth is certainly not alone in the fight against poverty and decay.

#### REFERENCES

1. 'Lambeth Walk to Wonderland', David Moller, *The Reader's Digest*, May 1981.
2. *Wasteland in Lambeth*, Lambeth Inner City Consultative Group, 10 Bernays Grove, Brixton, SW9.