

# Land&Liberty

communiqué putting people at the heart of economics

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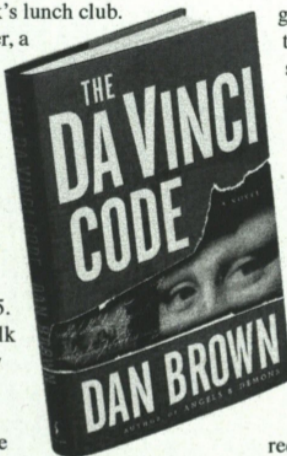
## ka-ching! hit-and-run rent - da Vinci style!

The normally tranquil village of Roslin grabbed its first taste of Hollywood this month when Oscar-winning actor Tom Hanks and his entourage swept into town. They were filming the finale to Dan Brown's international best-selling novel *The Da Vinci Code*.

An interesting angle was picked up by *The Scotsman* newspaper. In the village a group of pensioners owned cottages in Manse Road with the best views of the scene-setting Rosslyn Chapel. They organised a "bidding war," according to the newspaper - selling prime-location spaces at bedroom windows to the world's paparazzi. All proceeds were being split between a kidney research unit at an Edinburgh hospital and the village's old folk's lunch club.

The main organiser, a retired teacher who did not want to be named, began the day by charging £25. But after a steady stream of desperate inquirers, his price for a day's pitch soon rose between £50 and £75.

These wise old folk of Roslin effectively socialized the value of the benefit of their location, for the benefit of the local community. Some owners might simply have pocketed an unexpected profit.



## UK policy blunder? outcry over "1947 all over again"

In anticipation of the UK Treasury announcing plans to re-introduce a development land tax, or 'planning gains supplement' - as proposed by Kate Barker in her Housing Supply report - the development industry is gearing up its opposition.

A new report from the Royal Institute of Chartered Surveyors says the initiative is "seriously flawed" and based on a misunderstanding of how land is valued, how planning gains arise, and how the property market operates.

The key problem with the proposals, say the writers of the RICS report, professor Tony Johnson and Chris Hart, is that planning permission is only one stage of development, and the tax would be paid when the permission is granted. They conceive the actual and eventual gain in value coming at some later point.

Philip Davies, chief executive of property developers Linden Homes, pointed out that "land development tax would only serve to put landowners off releasing land in order to avoid the charge and instead wait for a new government to come to power and change the legislation. This would make the housing shortage even worse and push up prices of existing stock still further, thereby fuelling the housing crisis."

Ian Trehearne, a partner and co-head of planning and environment at Berwin Leighton Paisner, a City law firm, said that over the existing system, a development land tax "would be better for levying larger amounts of tax, but would inevitably take longer and use up more professional time and fees. Either way, there seems to be a prospect of higher costs of development with only some of the proceeds of the new tax returned to fund the infrastructure that is required. The original intentions of the proposed supplement - more and cheaper housing - seem to have been replaced with more urgent economic considerations."

## HGF new groundwork for Foundation

The Henry George Foundation has now put into effect its 2005 plans for wholesale institutional restructuring. All the Foundation's work is now proceeding on a voluntary basis.

Management of the organisation remains the responsibility of the Council of Management - recently augmented by the appointment of Mr John Rider. John was for several years the Foundation's external auditor. Council chair, Mr David Triggs, is now executive chairman, leading the Foundation's executive programme. All projects and other outreach work will be led by him. Foundation Treasurer, Mr John Cormack, has found his input to activities increased several-fold, as he takes on everyday responsibility for all matters financial.

Several other individual members have taken up tasks with the Foundation. Former chief executive Peter Gibb has been appointed company secretary.

The Foundation's London premises have been secured long-term thanks to the generous support of the International Union for Land Value Taxation. The Edinburgh offices and bookshop are also retained, meantime, staffed by Lars Rindsig. That decision will be reviewed in the new year.

## Iraq first the oil - then mobile phones

Before its dissolution, the Iraqi Coalition Provisional Authority sold the license to transmit mobile phone signals in Iraq - to a single company, Sanatel, for around US\$150,000 a year, according to **L&L** reporter Jon Mendel.

Compared to the sums licenses have realised in other countries, this seems like an unbelievably good deal for the company - and included free use of a satellite! The CPA's management of Iraqi common resources - especially oil - has been the subject of hard criticism.



John F. Rider



John Cormack

the newsletter of the Henry George Foundation



Lyons pauses  
while  
Burt rolls on



New! Improved!  
The evolution of a  
new council tax

# breaking ground

## Development land tax - kill or cure?

A conference, held in October in London by the Chartered Institute of Builders, critically examined the government's land tax plans. The event asked: would land-based taxation deliver development or would it strangle it?

Development land tax is the solution the Government seems most to favour. But many advocates of land-based taxation were critical. Some say DLT is a deeply flawed proposal. Leading that charge was Ted Gwartney - who spoke of successfully establishing land taxation in the US - as well as Transport for London vice-chair Dave Wetzel, and Vince Cable MP.

## Symptoms of the 'winner's curse'?

The RICS reports in its September housing survey what it sees as the healthy re-energising of the housing market. It reports buoyant prices and increased market activity - evidence of "a stabilising of the market" - the hankered-after 'soft landing'.

Meanwhile research from the Halifax shows the north-south price divide closing fast - now at its slimmest for 8 years. Prices outside the south-east are continuing to rise - sometimes spectacularly. Areas previously thought undesirable are being looked at in a new light by buyers, as they compare the relative benefits one location will give them over another.

These are symptoms of the boom/bust phase which author Fred Harrison calls 'the winner's curse'. Are we now finally entering - as Harrison predicts - the last stage of the housing cycle leading to bust, debt, negative equity, repossession and homelessness? Or is this just the continuing and healthy economic growth of the market - the view of the 'professionals': a market from which Gordon Brown really has helped us say goodbye forever to boom/bust?

## Scottish Civic Forum on the line

The Scottish Civic Forum, the Third Sector institution created to ensure citizen participation in the new Scottish political settlement has had its core funding withdrawn by the Scottish Executive. Its future now looks bleak. BBC's Newsnight called SCF "a basic plank of devolution." For the past three years Peter Gibb has sat on SCF's Council, with responsibility for economic policy.

## Local government finance under review

The independent Local Government Finance Review in Scotland, led by Sir Peter Burt, rolls on. As previously reported (L&L spring 2005) the review's terms of reference explicitly include land value tax ideas. Initiated last summer by the Scottish Executive, the Review is the equivalent to the Treasury-sponsored Lyons Review for England and Wales.

The Foundation's second written submission to the Review was presented in July. It assesses in detail the different systems and options available to fund local government services and infrastructure. The submission concludes that the way forward is the evolution of the existing system. According to HGF Communications Officer Lars Rindsig "improvement of the existing system - rather than its wholesale abolition and replacement - is, for the moment, with Labour, the only political show in town". Rindsig points out that many key components of the existing local tax system are quite proper for retention within an evolved system. "The existing system already directly collects for the public purse a good amount of community-created land value."

The Foundation's submission to the Review sets out "the 11 key elements of an evolved system". The principal evolution required, according to the submission, is that "the basis of [tax] assessment shall be the unimproved value of the site only and shall exclude the value of any 'improvements' such as buildings or plant."

The Foundation has now been called to give verbal evidence in November. A team including experts from the US has been assembled for the day.

Later this month a presentation is also being made by the Scottish Green Party. Their team includes HGF member and Land Reform Scotland co-founder Prof Roger Sandilands, and Toby Lloyd, former HGF deputy chief executive.

Meanwhile Tony Blair ordered the significant broadening of the terms of reference give to Sir Michael Lyons' Review. The increased ground the Review now has to cover effectively kicks into the long grass the delivery of its final report. Commentators reckon that whatever Lyons comes up with will present a thorny political problem for the government of the day. Lyons is not expected to report back until after the next general election.

# letter from the editor

Perhaps it's just a matter of the requirements of the medium of television. But between its opening and closing titles the hit programme *Location, Location, Location* completely ignores the real 'profit'-making process its participants are cashing in on: capitalising on community-created land value uplift within a confident economic environment.

I suppose it might not be easy to translate into attractive moving pictures and engaging serial scripts the reality of the benefit of location: how its direct enjoyment is necessarily restricted through geography, and how the current rules of our society inequitably distributes its value - when locational benefit drops massive unearned windfall gains into the laps of lucky homeowners. A faint-hearted producer would raise an eyebrow if seriously asked to translate all that into a TV show aiming for high popular viewer ratings and critical acclaim, wouldn't they?

But it is a curious question, is it not, just why the title of Channel 4's top rating programme can so perfectly capture a key truth of a situation, and the actuality of a process, in which individuals can get hold of massive windfall profits - yet the programme's actual content dwell instead upon the *design and labour* of home improvement?

*Location, Location, Location* isn't the only prime time programme cashing in on our continuing obsession with making money out of house prices - the new urban landed class' glorying in taking and spending unearned windfall gains. Yet they all stuff their programmes with the effort, savvy, and general input of *work* of the property-owning protagonist.

A sage once pointed out that no-one ever made a profit from 'doing up' a property. The design and labour that goes into renovation - the things these image-hungry TV programmes dwell on - is repaid at the going market wage.

A ladder-climbing property-owner can choose to provide these services to their own project if they wish. But the reward they will receive for doing so will be the wage any other designer or skilled worker would have received for the job they've done - no more. You may save money by not having others do the work. But only by failing to pay yourself the going rate wage for the work.

And that's hardly a fast-track to a quick buck, is it? - hardly a millionaire-making approach to property development, worthy of prime-time viewing? Yet week after week these programmes trundle out home improvement case studies, and fail to point to what is really going on in these people's money-making schemes.

'Profit' isn't profit if someone hasn't been paid. The old off-book accounting scam doesn't wash. 'Externalities' - every true cost improperly treated as external to an activity - whether that of self-labour on your house improvement project, or health treatment to your dying employees and their neighbours in Bhopal - has a paymaster. Put the other way, every payment, most certainly windfalls included, has a cost. Booming house prices cost us all - the many more than the few. They're not a phenomenon for viewers to glory in.

*Location* says it all three times - but each time the viewer is *distracted*. Well, that's entertainment.

Peter Gibb  
gibb@LandandLiberty.net

# fresh thinking

## The new council tax

### financing local government - a trailer for tax evolution

The New Council Tax - the new way to pay for the public services we receive.

It's the evolution of the old Council Tax and Business Rates which it replaces.

It's not a tax on people who work like a local income tax would be. (Because who wants to discourage people working?)

It's not a tax on enterprise like business rates was. (Because who wants to discourage business?) It's not even a tax on your property. (Because who wants to discourage better property?) - it's a fair charge for what the community gives your property. After all, your surrounding community adds value to your property.

The New Council Tax - the new fair way to pay for public services.

Best locations will pay most. They receive most from the community. Less desirable locations will pay less. Because they end up benefiting less.

Does your property enjoy a near-by high-league school? - views over a grassy park? - handy parking? - tree-lined streets? - a safe and clean neighbourhood? - good roads and transport? We need to pay for those. So you pay more. It's your due.

Or are you finding there are less quality affordable public services paid on near-by you? Do you have to deal with a less desirable location? - less convenience, less benefit? - more disadvantage, more things you'd rather not have to deal with? - are

you miles from good public services? You pay less: you're receiving less.

It's a matter of choice. Make your choice, make your move, and pay your due.

Low tax locally means run-down areas will soon become regenerated. Rural and marginal areas will thrive as their tax burden is reduced.

Enjoying greater wealth from your community means paying progressively to it. You pay into the community for what you get out of the community.

The New Council Tax - the new fair way to pay for public services.

2 ways to pay - easy and convenient.

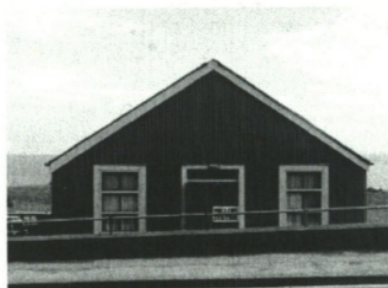
Pay as you go, monthly or annually, by direct debit or cheque. If you're a working family you might choose to pay this way.

If you're a business you might also choose this option.

Or lump sum when you sell - your solicitor will make the arrangements. If you're on low income enjoying a higher value location - perhaps a pensioner - you may be able to pay this way. If you're a start-up business you may also be able to defer.

2 easy ways to pay - it's your choice.

The New Council Tax - it's the new fair way to pay for the public services we receive.



the  
**NEW**  
**COUNCIL**  
**TAX** It's the new fair way  
to pay for the public services we receive



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the live on-line magazine putting people at the heart of economics

Land&Libertyannual

the printed compendium of the year's best writing

Land&Libertycommuniqué

the quarterly newsletter of the Henry George Foundation

## Jerry Stovin 1922-2005

Jerry Stovin, who died peacefully, aged 82, at his twin brother Bob's home in Canada on 10<sup>th</sup> September, worked patiently at winning those causes that most interested him. He was tenacious but also gentle in this, even if the cause sometimes became a lost one.

Born in Unity, Saskatchewan, on 11<sup>th</sup> October 1922, he enjoyed acting at the Regina Little Theatre as a young man. From 1942 to 1946 he served in the Canadian Army, translating Nazi communications into French. After the war Corporal Stovin was stationed in Europe for a year.

In 1947 he was accepted into the Carnegie Institute of Technology in Pittsburgh, Pennsylvania, where he graduated with a Fine Arts degree in Drama.

By 1955 Jerry had crossed the Atlantic to advance as an actor in Britain where his talent was soon recognised. Appearances in radio and television followed, and in films such as *The War Lover* and *Lolita*.

Jerry was receptive to the calming influences of Eastern spirituality. He ran the London office of the movement for transcendental meditation, and visited the Maharishi Mahesh Yogi in India in 1968, finding himself in company with the Beatles and Mia Farrow.

Always keen to extend his thinking, Jerry studied economics at the School of Economic Science, London. For many years he contributed his volunteer effort to the Henry George Foundation, and would patiently explain land economics to anyone who wished to hear. Jerry was not averse to slipping a pamphlet from the Foundation into his correspondence on other matters. When the Foundation staged some social event, Jerry shone in the mini-plays or

charades that were performed.

For thirty years Jerry also enjoyed ceramics. His 'raku' fired pots and other work was held in high esteem, and he exhibited at Morley Gallery with the London Potters, a group which he had joined since its inception.

Jerry Stovin never married. He remembered fondly a girl from his youth. But since her, he said, he never found the right person.

After a period in hospital, his family from Canada celebrated with Jerry an 'Aloha' party in the garden of his council flat and then flew him back to Calgary where his last few weeks were spent with people he loved. **L&L**

## Robert Young 1935-2005

A fine man and much loved fellow traveller in the pursuit of economic justice Robert was always cheerful but determined. He will be sadly missed by his many friends. As a student, follower and teacher of the ideas of Henry George for over forty years and member of the Foundation's Editorial Review Panel his understanding of Natural Law was considerable. **L&L**

## diary

19<sup>th</sup> November 2005, LSE, London  
Conference: **From Ownership into Stewardship**. For details contact:  
Rosamund Stock on 0845 458 0610

November 2005, Colombo, Sri Lanka  
Conference: **Putting Land First?  
Exploring the Links Between Land and Poverty**. Go to [www.cepa.lk](http://www.cepa.lk)

2<sup>nd</sup> to 8<sup>th</sup> July 2006, London  
**25<sup>th</sup> World Conference of the IU**  
go to [www.interunion.org.uk](http://www.interunion.org.uk)

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**Land&Liberty** has chronicled world events for over 100 years. It has offered a unique perspective with its reports, analysis and comment on the core issues of political economy. And that uniqueness remains. **Land&Liberty** aims to explore how our common wealth should be used - and to demonstrate that this is the key to building the bridge of sustainability between private life, the public sector and our resources - between the individual, the community and the environment. **Land&Liberty** - putting people at the heart of economics.

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The Henry George Foundation is an independent economic and social justice think tank and public education group with offices in London and Edinburgh. The Foundation deals in cutting-edge ideas, exploring and promoting principles for a just and prosperous society and a healthy environment.