

# 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institution created to ensure citizen participation in the new Scottish political settlement has had its core funding withdrawn by the Scottish Executive.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.

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