

# Green for Land Tax?

IT IS refreshing to find a prominent political thinker who is prepared to state unequivocally the need for a new philosophy of taxation. James Robertson, a British "Green" luminary, has just published *Future Wealth: A new Economics for the 21st Century*,<sup>1</sup> in which he proposes that the objectives of the tax system should be fundamentally shifted, with the practical result that the burden rests entirely on the rent of land.

Try to explain land rent taxation to anyone wedded to the current taxation orthodoxy of "ability to pay" (i.e. according to visible earnings) and "neutrality" (as between different investment assets) and you will probably be told that the idea is "political suicide."

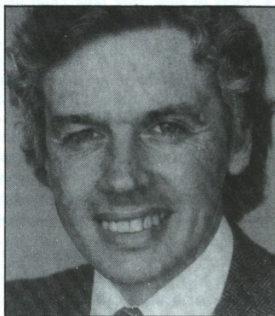
Any new tax on homeowners (any new tax, period - witness the local poll tax in the UK, and George Bush's electoral slogan in the US) or, similarly, any reduction of housing related tax relief or increase in home loan interest rates, is a vote loser.

Even the Labour Party in the UK, which is currently toying with the idea of replacing the poll tax with a new, improved local property tax, hedges the concept about with assurances that it will be related to ability to pay.

The Social and Liberal Democrats, whose political antecedents were committed to Site Value Rating for the best part of a century, now call for Local Income Tax (LIT). The Green party, which still has Community Ground Rent (CGR, identical to SVR) in its manifesto, prefers to talk about LIT.

The Green Party's latest male spokesperson, telegenic TV sports presenter David Icke, has just brought out his own contribution to "green" literature. His book is called *It Doesn't Have to be Like This: Green Politics Explained*.<sup>2</sup> In it he explains what we have to do to improve access to land: ceilings have to be put on how much land, by value, people can own. That's it. No mention of the contribution that could be made by his party's policy of CGR.

In fact, the idea of ceilings on land-ownership comes from those party



• David Icke

members who actively oppose CGR. Nevertheless, Mr. Icke does mention CGR as a deterrent to ownership of empty houses and vacant urban sites. If you ask him, he will tell you that CGR's "an excellent idea, but it needs sharpening up."

So let us return to James Robertson, of the Green intellectual heavyweight division. He would have the tax system as a whole designed to enable people, organisations, communities and nations to be more self-reliant (more productive) and conserving (using resources efficiently). He would have it simple and non-discriminatory. To achieve these objectives he says:

The over-riding priority is to secure widespread understanding and acceptance of the idea that the

burden of taxation must be shifted away from what people contribute to the rest of society and on to what they take from it ... When some people occupy land, or use and waste natural resources, or pollute the environment, they do so to the exclusion and detriment of others. As a working hypothesis, we should envisage the eventual removal of all taxes on income and value added, savings and financial capital... Taxes will much more nearly take the form of rents and charges reasonably paid in exchange for resources that would otherwise be available for other people, or for damage caused to other people. Taxation will thus come to be seen in a different way from how most people see it today (pp. 104-105).

Such a scenario must come as a surprise to the UK Green Party, committed as it was in the last General Election to substantially raising income tax, company tax and VAT<sup>3</sup> (due mainly to its policy of a universal basic income). Robertson stresses that "A key task for the early 1990s..." is to carry out feasibility studies on the scope for replacing existing taxes with:

- a combined national and local tax on the site value of land;
  - a national tax on energy at source;
  - pollution taxes;
- and for introducing certain international taxes (p. 111). The latter mainly concern natural resources, and the former are entirely levied on land rents (pollution, after all, is the use of naturally provided garbage cans - land sites rivers, oceans and air).

Robertson calls for "properly researched answers" to the questions of the revenue-raising potential of these levies, their economic repercussions and their administrative feasibility.

Much of this work has already been done. For example, Anders Muller of the Inland Revenue Directorate, Copenhagen, has produced many papers on the administration of the

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to draw on that experience as urbanisation proceeds in that country and the quality of life there becomes of higher priority.

THE POLICY has been to make land — other than that required for community use — available by open competition on conditions requiring its development within a set time. Private leased land could not be held out of use.

The territory is sufficiently compact to enable the policy to be administered at a level responsive to local needs within broad planning constraints. It may not be applicable where these circumstances do not pertain.

The process also retains for the community a part of the value of the land created by the efforts of the community. But only a part. Much land particularly in high value central areas is on long lease and the increase in land value arising from the success of the community as a whole, other than annual rates on land and buildings, accrues to the leaseholder alone.

The system, whilst of major

## Honky-tonk deal

**THE FIGHT** to redevelop 42nd Street is over. The battle to rehabilitate one of the famous showbiz districts of New York (see *Land and Liberty*, March-April 1990, p.23) came to an end in the State Supreme Court in Manhattan when Justice Stanley Parnes signed a condemnation order in favour of the Urban Development Corporation.

The UDC now has title to two-thirds of the 13-acre site, and developers are about to launch

what officials describe as one of the largest public commercial urban-renewal projects ever planned in the state.

Demolition will drive out the pimps and drug pushers and create 20,000 permanent jobs.

Skyscrapers destined for the street, off Broadway, have been redesigned to reflect the honky-tonk atmosphere of the district. But critics condemned the property tax abatements granted to the developers as too generous.

significance to the success of Hong Kong, is thus not a substitute for an effective system of land value taxation,

JAN Morris in her final chapter on the future of Hong Kong written after the tragedy in Tiananmen Square calls for one last imperial act by Britain — to give Hong Kong self-government so as to stand "as a model and an inspiration to its mother China ... even if it were to survive only a generation...."

The time for imperial acts has

long gone; and Hong Kong is already an inspiration to China and has been self-governing in all but name for several decades. Its future wellbeing depends in no small degree on its ability to continue to provide those economic and social services which China so sorely lacks.

Jan Morris recounts how Hong Kong has triumphed over adversity many times in its 150 years. During this time there have been many movements of population in and out and always younger generations anxious and able to replace those who leave. This is unlikely to change. What is required now is a continuation of the spirit of determination which has over the years enabled Hong Kong not only to survive against the odds but also to establish a quality of life which is the envy of the region.

The vision of the future set out in the Governor's Address to Legislative Council, based as it is on the solid foundation of the land backed by the provisions of the Anglo-Chinese Agreement and the work of the joint Land Commission, shows the way forward in truly practical terms. And not just 'for a generation', as Jan Morris postulates, but well into the 21st Century.

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**Danish land value tax, which reveal great potential for increasing revenue from that source<sup>4</sup>.**

In 1989 the UK's Centre for Incentive Taxation produced a land valuation of Great Britain for 1985<sup>5</sup>. This did not include the value of pollution rights, airwaves, flight paths, street parking and other nonproducible resources.

This suggested that pure site rent alone (that is, excluding £15 billion mineral rents) was £43 billion, or 17% of national income (a proportion which has since risen to about 26%<sup>6</sup>). Therefore, a 25% levy would have raised £11 billion, or about one-third of the revenue from income tax.

It is generally agreed that taxes sufficient to reduce petrol consumption and pollution would have been large additional revenue raisers. If the real energy tax increases needed by 1994, according to the Henley Centre for

Forecasting<sup>7</sup>, may be extrapolated backwards, then at least another £11 billion would have been raised in 1985.

Therefore, it seems entirely feasible that full land rent capture could support public spending if this was 25% to 30% of national income.

Robertson notes that a corollary of the new taxation is that government policy "shifts away from intervention and provision of services" so that required public revenue "will come down accordingly" (p. 103). Net public revenue, that is, after the provision of a universal basic income.

But is the land rent tax political suicide? Well, yes - like all "green" taxes. Ultimately, however, voters may not be able to avoid them. If so, let us hope that they are guided in their choice of green futures by James Robertson's new tax philosophy.

**DAVID RICHARDS**