

# Gain without pain



If only Zimbabwe had taxed farmers instead of stealing their land

IT IS ABSURD how supposedly respectable economists get away with claiming land is no longer important in a primarily urban society. It matters more than ever, because it has never been worth more.

Land management comprises the registration, valuation, allocation to use and development of land. It has vast economic and social dimensions. It is not just about the environment.

The more people crowd our planet, the more valuable its finite resources are bound to become. This applies to land under houses, factories, offices and food crops. It makes the management of land (which, in the classical economical sense, includes all those natural resources) more important, not less.

The value of land may remain difficult to quantify, because it involves subjective judgements by assessors. But it can be done. In Germany, recent research concluded valuing land alone would be cheaper than re-assessing land and buildings together. Moreover use of land values as the basis for local taxes would support sustainable development more effectively than the present property tax.

In Victoria, Australia, land value maps are helping assessors, planners and tax payers achieve better mutual understanding. If only Zimbabwe had followed Namibia's example, introducing a land tax rather than a land grab, a bloodbath might have been avoided.

The policies Henry George's supporters promote are not socialist nationalisation, nor are they aimed at clobbering developers. Economic justice and the free (fair) market are not incompatible, provided the rental value of land and natural resources is recycled. If introducing and administering sound revenue raising methods like LVT is hardly rocket science, why are they not more widely implemented? I suggest it's

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because rent provides free lunches for a very small, powerful minority. What LVT nationalises is the unearned gain to landowners that flows from development rights. Goodbye free lunch! In the interests of society at large the state at some level needs to reserve some power to police land use. In doing so, governments wield power over landowners. LVT achieves this not by fiat taxing only development and developers but by setting free the land market, using rental value as a price.

Problems of inequity arise without LVT when the wealth accompanying the award of development rights is not recycled. The right of owners to that wealth is not like the right to wealth arising from actual development, adding value to the community – which ought to be retained by developers. The former, being the result of decisions by others, does not rightly belong to owners and should not stay with them. It is understandable for local councils in Britain to seek recovery of public largesse by placing financial obligations on developers. But even more understandable is that this is seen as legalised bribery and corruption.

The solution is not to further institutionalise the dumb tax on development, which the Government's tariff would be. It is necessary over time, to phase out taxes on value added and replace them with charges levied on unearned rent, which comes with ownership of nature's gift. This would achieve communal gain without the pain of blighted communities and uncompensated harm.

For good reason LVT is dubbed the smart tax. Failure to develop our planet sustainably carries a cost. Failure to develop smart fiscal tools to assist sustainable planet management also carries a price.

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