

**If a system of LVT was implemented along the route of the Jubilee Line extension, the whole project would have been completed with no need for public funding – and would have been instantly profitable**



*Party, so might a land tax bridge the gap between Kiley and the Treasury?*

"I would like to think so, yes. The reason why is that here you have a government that has chosen to say to the people at the last election: 'We are prepared to rise or fall on the basis of whether we can turn round this dreadful system of public service delivery in the UK. That's why we said we want to come to power, consolidated power, now we have committed ourselves to delivering it.'

"There is fundamentally a problem of economics at the heart of this. Can we afford any of this? If the answer is yes, then how are we going to raise the capital?

"As long as the Treasury is in this mood of extreme frugality where nothing beyond 12 months seems to be fair game because of this concern about it going on the Public Sector Borrowing Requirement charts, then we're stuck in a cul-de-sac from which there is no real way out. The Treasury is obviously not beyond making major exceptions to its rules otherwise the Channel Tunnel would not have been

## Time to build on solid ground

The fairest system for raising local government revenue lies under our feet. **Dave Wetzel**, vice chair of Transport for London, argues why it is right that the windfall gains of land ownership should be returned to the community

TONY BLAIR'S government has had the courage to create new forms of local administration in Scotland, Wales and London. What is needed now is for ministers to have the courage to stand up to Whitehall and to give these bodies a new, radical and modern way to finance their activities.

Most taxes, like sales tax (VAT in the UK) and income tax, harm local economies. Sales tax pushes prices higher and income tax induces workers to seek compensation through higher earnings.

Taxes on buildings (business rates and Council Tax in the UK) deter the development of new and more modern structures, especially in areas crying out for regeneration. The UK system of levying half rates on empty commercial properties encourages people to use sites inefficiently. Charging no rates at all on empty sites or buildings that can't be occupied is nothing less than criminal. It rewards owners for inactivity and even exhorts some to smash the roof of their building so it's impossible to use.

Tax on investment income is passed directly to borrowers, who have to pay higher rates on their borrowings. Unnecessarily high interest rates on business loans can be damaging for entrepreneurs, frustrating them from putting new ideas and business plans into practice. Of course, public services need to be paid for, but is there a way of raising revenue without damaging individuals and firms?

If we look at the effects of public services we find a clue to the solution. Don Riley, a London property owner, has written a book examining the effect of the Jubilee Line extension on the capital's underground rail system (see page 16). As well as opening up new opportunities for travel, according to Riley, this new line has also increased land values by £13 billion – far in excess of the £3.5 billion it cost to build.

Other services also add to land values. Who wants to live or work in an area with no schools, health service, police, fire brigade, refuse collection, or street repairs? If the financing of local services was shifted to land values not only would the economy benefit but also a new fairness would be introduced into national and local affairs.

Land is a natural resource that existed before mankind walked the earth. Every

person on the planet has a right to share in its wealth. It would mean that for the first time landowners would have an incentive to make better use of their sites – encouraging local enterprise and trade.

Investment funds would be diverted into industry and commerce instead of sterile land speculation. The cost of homes and commercial premises would fall, helping everyone to improve their position and providing housing for key workers. Increased trade and essential jobs would add to everyone's happiness and well-being.

LVT would provide a broader tax base for local government. It would cover empty properties and underused sites. Unlike Section 106 agreements, whereby developers give a one-off payment for a local facility at the time of receiving planning permission, LVT is totally transparent.

A public register of land values, with no deals behind closed doors leading to

## The cash economy that flourishes to avoid existing taxes would vanish

accusations or suspicions of privileged treatment, would include all landowners who benefit financially from the planning gain. LVT is a sustainable tax – it provides for public spending every year without damaging people's lives.

The cash economy that flourishes to avoid existing taxes would vanish at one stroke if site values were taxed. Placing a charge on land values would also enable the banks to lower interest rates as the supply of money for real investment increases, and the banks would not be concerned by lower rates feeding into land/house-price inflation.

The British government auctioned exclusive use of the mobile airwaves, raising over £20 billion. It is an approach to natural resources we should all applaud and encourage the government to extend to other areas such as land values, and even landing slots at airports.

If Gordon Brown is concerned about protecting the economy from the international crisis, he might just realise the answer lies under his feet.