

British Breakthrough!

from Fred Harrison, Director, Centre for Land Policy Studies, London

The first major political breakthrough in 50 years for the rent-as-public-revenue policy at national government level is now on the cards.

Britain's Deputy Prime Minister, John Prescott, has commissioned an investigation into how public spending raises land values. The contract has been awarded to one of London's leading property consultancies and London University. They will review the literature that documents the link between investment in transport systems and increases in the rent of land.

Collecting the evidence is the first step towards working out new policy strategies. But I can report that other government ministers in Blair's administration – strapped for cash to pay for health and educational services – are beginning to force the issue. They are keen to know if the uplift in land-rents would pay for things like better rail networks.

This turn of events originated with the publication of a book by the Centre for Land Policy

Studies (CLPS). Don Riley, who restores property on London's South Bank, discovered that the construction of the extension to the Jubilee Underground line had raised the value of land – including his sites. And he wanted to tell the world that it was wrong for a few privileged people to pocket the proceeds.

His analysis of how £3.5bn of taxpayers' money was translated into an uplift in land values of about £13bn – according to his estimate – appeared in "Taken for a Ride." We published the book in the

summer of 2001 as the first in a series of Inside Stories. The reaction was astonishing. Reason: the book answered a question that was worrying governments all over the world – how to finance improved services.

Government transport agencies as far apart as Ireland and New Zealand bought the book – and some of them have now launched their own research projects into land-rents as a possible source of public revenue. South Australia's transport min-

amples of a tax that, far from being a distortion, should aid efficiency".

Mayor Livingstone, in his draft London Plan – published in June – has responded positively. He declares that "large increases in land values, much of which is attributable to the planning system or to public investment, should be recouped to re-invest in the public interest. For example, increased land value created by public sector investment – especially public transport improvements – should be partly recouped for the public benefit".

Media endorsements came thick and fast, culminating last month with a major analytical report in *The Economist* (August 31) [Ed: This article has been reprinted in full on page 20]. Under the headline "Getting there faster: Why not make those who

benefit pay for transport improvements?" the prestigious journal offered an account of how the Blair government was focusing on land values.

Citing Don Riley's experience, *The Economist* reported that "the idea of taxing increases in land values makes eminent sense". As if that was not enough of a fine endorsement, *The Economist* went on to admit: "The idea of taxing increases in the price of land may sound dangerously radical but actually it is not. It has a

history stretching back to the mists of fiscal time".

A benign public climate is in the making. If we can consolidate the gains, so far, we make it more difficult for the traditional opponents to deride the rent-as-public-revenue policy.

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ister, Michael Wright, sought a briefing on the subject when he recently visited Dave Wetzel, Vice-chair of London Mayor Ken Livingstone's Transport for London.

"Taken for a Ride" received glowing testimonials from the Press when we launched it in

cooperation with the Institute of Economic Affairs, one of Britain's leading free market research institutes. Setting the tone was the major piece in the *Financial Times* on August 30, 2001.

Columnist Samuel Brittan opened with the statement that Britain's Treasury minister, Gordon Brown, and Mayor Livingstone, "could learn something from David Ricardo's 200-year-old analysis of land values. Here is one of the very few ex-

Mayor Livingstone: "Here is one of the very few examples of a tax that, far from being a distortion,

(the investigative commission) will review the literature that documents the link between investment in transport systems and increases in the rent of land