

LAND &

LIBERTY

MAY & JUNE, 1977



Requiem for the Land Act

THE latest in a series of ill-conceived attempts to deal with the land problem—the Community Land Act—is widely considered to be a “dead duck” before it has begun to come fully into operation (see comments following this editorial).

Its fiscal sister, the Development Land Tax Act, is generally no more highly regarded having, as the *Estates Gazette* suggests (see

our last issue), made its own contribution toward the drying up of the supply of development land on the market. The Conservatives, however, say that this is because the rate of the tax is pitched too high and while they are pledged to repeal the Community Land Act, they intend to retain the Development Land Tax at a lower rate.

The fact is that neither of these

Acts is wanted in any form. Whatever their political or social aims, they are defeated by the operation of economic laws. They are thus doomed to follow into oblivion the development charges of 1947 Town and Country Planning Act and the betterment levy of the 1967 Land Commission Act and no more tears should be shed for them when they finally expire than were shed for their forbears. Their

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Contents

Requiem for the Land Act	33	Editorial
Where has Property-Tax Reform Proven its Value?	36	Perry Prentice
Modern Ideas from the Nineteenth Century	38	Robert Miller
Scenario for a Planning System	39	Robert Clancy
Wages: the Forgotten Factors	40	V. H. Blundell
Lone Survivor of the Enclosure Movement	43	Geoffrey Lee
Is Adam Smith Outmoded?	45	Peter Middleton
How the Indians Regard the Land	47	Ruud Moors
Light on the Inflation Scene	48	B. Raymond
Letter to the Editor	48	

demise has been predicted by many professional bodies and of course by this journal.

Why then were they ever written into the statute book? Their stated objectives were in part commendable: "... to restore to the community the increase in the value of land arising from its efforts." Those of the Land Commission Act were: "1) To secure that the right land is available at the right time. 2) To secure that a substantial part of the development value created by the community returns to the community and that the burden of the cost of land for essential purposes is reduced." The stated aims of the 1947 Act were in a similar vein. Not only did all these Acts fail to measure up to their aims, but they actually aggravated the situation they were intended to remedy.

That the Conservatives have promised to repeal the Community Land Act when they are next returned to power is undoubtedly a good thing but their proposed retention of the reduced Development Land Tax can in no way be regarded as tackling the land problem. The last Tory government's proposals for the taxation of development gains were, of course, adopted by Labour and embodied in the current legislation. Hugh Rossi, opposition spokesman on housing, has claimed that the Tories have learned from the mistakes they made in their previous plans, and has ascertained from discussions with the property industry and bankers that a development tax of between 50 and 60 per cent is "perfectly tolerable". So, far from having learnt by their mistakes, Conservatives can see no further than objection to the taxation of development gains on the grounds of degree instead of principle.

Both of the major parties see, or think they see, the necessity for this kind of legislation, not because of any all-embracing principle, but rather because of public indignation over massive "wind-fall profits" consequent upon the granting of planning permission, and because of the high cost of land. The ex-farmer who becomes a millionaire overnight, the problems of inner-city decay—these are subjects that have caught the public eye and these are the manifes-

tations of our land tenure system that the politicians are pressured to combat.

The result is that, in an attempt to appease the people, legislation is introduced that appears to tackle that part of the problem that makes itself most noticeable, while fundamental principle is ignored. Clearly such a patchwork approach is doomed to failure from the start.

The solution to any problem lies, not in chasing desirable objectives with hastily conceived *ad hoc* measures but in first establishing the underlying reason why the problem has arisen in the first place and then enacting a suitable policy to rectify the situation at root.

The various manifestations of our land problem—speculation, shortage, high cost—are all the effects of permitting the private appropriation of the rent of land, together with its concomitants the taxation of labour and capital. Once this is understood, it becomes clear that what is needed is the restoration to the community of that which rightly belongs to it, all economic rent.

Without this, we shall be condemned merely to go on repeating past mistakes.

STILLBORN LAND ACT

ACCORDING to a recent report in *The Sunday Times*, Labour's Community Land Act has been put into cold storage by a Whitehall directive to local authorities. The December public spending cuts knocked £70 million off the borrowing capacity of local authorities, leaving them no elbow room for acquiring land by borrowing (the only way they could afford to acquire it). Every individual proposal from local councils to acquire land will be vetted by the Department of the Environment. Nor can local authorities now step in to interfere with private developers in order to carry out the development themselves. Says *The Sunday Times*, "Councils will have to trim their staffing budgets. The Government is already embarrassed that the Development Land Tax, the Scheme's fiscal arm, will gross the Treasury only £1 million by 1978/79, as against £950,000 of administrative costs already incurred."

According to Michael Latham, Tory M.P. for Melton, and a Director of Shelter, who specialises in building and land affairs, the Act is now a "dead duck."

* * *

IN spite of the attitude of some professional bodies towards the Community Land Act—they seek to modify it rather than repeal it—the President of the Incorporated Society of Valuers and Auctioneers has unequivocally called for its repeal (*Estates Gazette*, April 2).

"Any suggestion that the Act should be retained and amended because the threat of repeal causes a greater level of uncertainty, should be opposed. A bad Act is a bad Act. A house of cards is no sounder because it has mosaic tiles on."

According to the President, civil servants in large offices are still today assessing betterment under the Land Commission Act, which was repealed in 1969. Maybe old Acts never die, but they take a long time to fade away.

THE CONSERVATIVE "PLAN" FOR LAND SPECULATORS

CONSERVATIVE plans to curb "property" speculators when they return to power at the next general election, as they seem confident of doing, is a special capital gains tax of between 50 per cent and 60 per cent on "wind fall" profits when the value of a site is increased by the granting of planning permission for development. Under Labour's Act, it is now 80 per cent, (rising to 100 per cent very soon), and with a reduced rate of 66 2/3 per cent for the first £150,000 of chargeable value in each of the next two financial years.

The argument is that a 100 per cent development value tax (or near that figure) dries up development. The medicine makes the patient sick. So the dose is halved in the hope that the patient doesn't notice it.

The proceeds of this tax, announced Mr. Hugh Rossi, the Opposition spokesman on housing at a recent meeting, would go towards offsetting infrastructure costs in the development (which of course help to keep up raw land prices).

INNER CITIES' HIGH LAND VALUES

THE Secretary of State's recent announcement in Parliament on his policy for the inner cities has raised the question of the high value of inner city land. A Conservative member, Mr. Timothy Raison, asked Mr. Shore in Parliament recently if he had any plans to deal with these "artificially high land values" and with the problem of land hoarding by public authorities which has been made worse by the Community Land Act.

Mr. Shore conceded the problem of private and public land hoarding while rejecting that his Government's Community Land Act had aggravated the problem. He appeared to have no plan for getting the public-sector holders of land to release surplus land except to make it "very plain" to them that they should do so at the earliest possible moment. As for land values being artificially high in the inner city areas—he could not say as there was no market—and this needed to be tested by "deliberate sales."

Commenting on this, the *Estates Gazette*, April 23, rejected the idea that land values could be artificially high, something that both the Conservative and Labour parties seemed to agree upon, and feared that further intervention in the market might be in the wind.

"If more inner city land is to be brought into the market, other than by forcing sales on unwilling vendors, how can it be achieved?"

Well, it can certainly be left to the market and we need not concern ourselves with compulsion, or Development Land Tax—nor need we bother about land hoarders holding land for a rise in value.

With a substantial *ad valorem* annual tax upon all land values, to begin with, we may safely leave matters to the market and the landowners' self-interest including that of the local authorities who could pay the land-value tax like anyone else. If anyone then left usable land idle, it would be at their own cost and a mighty useless and profitless exercise this would prove to be. The revenue thus obtained could off-set rates and thus reduce to consumers the cost of buildings as well as land.