

breaking ground

Delhi Government for development land tax

The North central Indian municipal territory of Delhi will introduce a development land tax - perhaps within a few months, reports *Delhi Newslite*.

The new tax - mimicking previous wrong-headed attempts in Britain - will be levied not only on plots immediately after they are developed: where local government facilities and infrastructure already exist, the civic body will levy the tax when a structure is 'reconstructed'.

Criticising the tax, opposition member Vijender Gupta alleged that the policy would "adversely affect the real estate market in Delhi. The tax is illegal, unconstitutional and anti-people."



Sri Lanka brings in '100% land tax'

The Sri Lanka parliament has voted to introduce a tax of 100% on land purchases by foreign nationals. Supporters of the tax argue that foreigners buying land - often for holiday luxury homes - have priced nationals out of the market. The initiative may indeed lower land prices. By doubling its acquisition cost to foreigners, it will certainly gear the market in favour of locals. But both local and foreign landowners will continue to enjoy the same ongoing privileges as at present. Reduced private investment will balance any increased public revenue: landless Sri Lankans will, as ever, be divorced from their common birthright.

Rise of the West's new landed class

Further evidence is emerging of the growth of a new class structure within Western economic democracies. Although traditional notions of the upper, middle of working class divide continue to have the upper hand in discussions, it is clear that they are increasingly meaningless and redundant.

Twenty-first century class structures are reverting to the principle form seen in the nineteenth century. The early Victorians distinguished in the first case between the landed classes and the rest of society. Other social divisions were considered secondary. The principle economic class distinction between Western citizens today lies in whether or not they are able to access potentially massive windfall gains from increasing urban property values.

New research published by Standard Life Bank and The Future Laboratory identifies how this new landed class is liquidising the equity it controls in property values. According to *The Guardian* (27th June 2004), this equity is being turned by its owners into a lucrative revenue stream.

The wealth is reported as being used to "start new businesses, live a more leisurely lifestyle or embark on new risks and adventures".

The West's new twenty-first century landless class of course has no recourse to these benefits. It would seem that a new class polarisation is developing, with increasing disparities of wealth and power.

The problem is growing. It is marked by some clear demographic features. There appears to be an increasingly strong age dimension. In conversation with **L&L**, the writer and campaigner George Monbiot identified the issue as "a very, very major problem of intergenerational justice".

Some social reformers argue that Western democracies require radical policy instruments that will allow more equitable sharing of rising land values, which are created by the progress of society as a whole. They say that failing to share the equity in rising property prices will increasingly crystallise this regressive new class structure - and that this would have potentially very dangerous social consequences indeed.

letter from the editor

Modern Western societies are sophisticated social constructs whose economic success is based on the division of labour. That division relies for its broad notional acceptability on the idea that the best interest of any part of society leads to the best interest of the whole. There are regulations and legislations that counter the deleterious effect of private interest. But broadly this arrangement relies on trust.

The economic division of labour fractures the common interest. All negotiations become sectoral, if not sectarian. But in the main this is not so important, because 'it all works out well in the end'. Increased personal or sectoral advantage usually bring increased common good.

Which leads me to wonder at the present situation of the surveying profession and its professional body the RICS. These are the people whose division of our collective labour is in providing society with "the leading source of land, property, construction and related environmental knowledge" and expertise. These are the people who guide our society in putting value on the merits in its larger-scale decision-making. More close-to-home, surveyors tell us how much to bid for our new house, and tell our mortgage lenders how much to stake on the deal. In our modern economies we rely on the expert guidance of surveyors to guide us on matters of which the rest of us are less than expert.

In their Residential Report for September the leading international property firm of FPD Savills discuss the prospects for the housing market in the UK. They report that "with year on year house price growth still running at 20% per annum a full blown slowdown to low single digit growth will require some further ratcheting up of interest rates. Judging by comments in the August Bank of England inflation report, the odds of this happening seem to be far from certain".

But a worry is dawning on the woman in the street that house prices will indeed not-only experience a "full-blown slowdown" - and that sooner rather than later - but that the housing market will soon be in deep recession - probably before Labour leaves office. Our recent collective memory suggests this is how things will go. Fred Harrison's forthcoming new book *Boom Bust* presents the inevitability of this outcome within longer-term consideration: the fact of the average metropolitan house price presently gearing eleven-times the average metropolitan wage for a key worker tells us that it is completely certain that it shall be so. Savills will be proven wrong without a doubt. So their positiveness is confusing. In whose interest is it to talk up the market like this?

In Western societies the interests of the sectors will always be less than fully comprehensible or useful to the whole. So an element of trust and a sense of our common interest has to have a place in the hearts of our professionals. So why is the surveying profession supporting this economic delusion as we walk on up to this housing market precipice? Is it somehow in their interests to do so? Surely - in the long term certainly, if not the shorter - commerce is built on trust.

There's trouble ahead. A housing crash is coming. Society needs to be warned. The surveyors need to wake us up.

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