Land&Liberty

communiqué

putting people at the heart of economics

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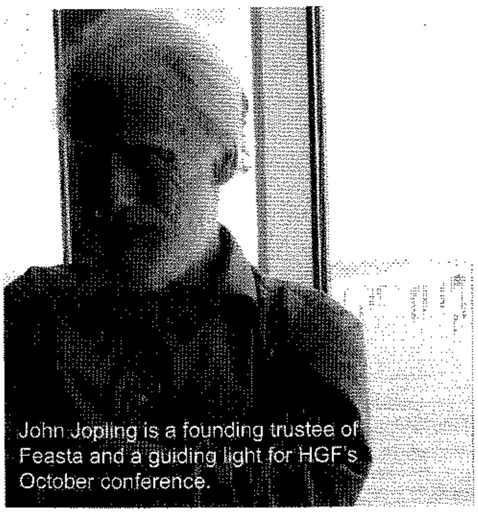
contents

conference land: the claim of the community



John Jopling is a founding trustee of Feasta and a guiding light for HGF's October conference.

HGF in partnership with Feasta, the Foundation for the Economics of Sustainability, is holding a major two-day conference in Dublin this October. The conference is entitled ***Land: the Claim of the Community***. The event will relaunch the land value taxation campaign in Ireland. Internationally respected economists, academics and parliamentarians will speak on the Irish land question and the need for land value capture in Ireland.

Soaring privatised land values have prompted many within Ireland, as well as the European Union and the OECD, to call for radical reform of property taxes and local government finance. *See pages 4&7 for more on the Irish land question, and page 8 for conference details.*

event double launch of webmag and bookshop

9th September sees the official double launch of the Foundation's new web magazine LandandLiberty.*net* and its new Edinburgh bookshop. The event will take place at HGF's new Haymarket premises. HGF will be welcomed to the Scottish scene by high profile representatives from the media, politics, business, academia and civil society. Foundation members and supporters will receive a formal invitation in the coming weeks.

The doors are already open to HGF's new Edinburgh shop

project balance of funding review

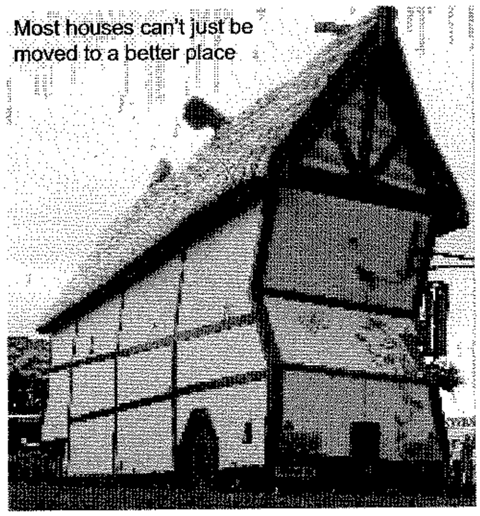
HGF is preparing a paper on local government finance and property taxes, as part of a government review of the system of funding local authorities in England.

Councils receive 25% of their income from council tax. The rest comes from central government. This 'balance of funding' compares with 65% in France and 80% in Sweden. It raises questions of accountability which the review is looking into. The fact that the average council has to increase council tax by 40% to boost its income by 10% is also seen to be a problem, both in logistcal and political terms. Last year HGF met with officials conducting the review, which will also take the opportunity to look at the relative merits of alternative forms of funding local government.

project HGF Location Motivation Index

As previously reported in *communiqué*, HGF is launching a new land index. There are currently various indices that describe increases in property values, with a new one coming soon from the Office of the Deputy Prime Minister. But all of these fail to separate the capital value of buildings from the value of their location.

HGF's new Location Motivation Index is different: unlike its rivals it will explain increases in the value of location.



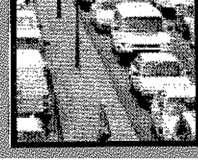
Most houses can't just be moved to a better place

The quarterly index is based on property price rises, the increase of wages in the construction industry, and the increase in the price of construction materials. (Property prices follow the value of land closely, because wage inflation and producer price inflation are both relatively stable.)

The Location Motivation Index will provide a ranking of the latest property value increases at local authority level, from lowest to highest,- and include analysis of specific areas of interest. It will show where and why land values are increasing most, providing empirical support for debates about land use, development and public revenue. The index will be launched in the next issue of *communiqué*.

www.LandandLiberty.net

Community land trusts harness wave power



Is road pricing a land tax on wheels?

breaking ground

Thailand goes back to the land

Before the twentieth century, Thailand maintained a traditional land holding system, in which all land belonged to the king, and farmers paid annual land rent, either in crops or labour. Hoarding and underusing land were forbidden – if a plot was left unused for three years it reverted to the king, who would then redistribute it. With the rise of western influence this system was replaced by freehold titles, which over time has lead to urban sprawl and rural poverty.

But recently Thailand has seen a surge in reformist activity. This year has seen the publication of *Progress & Poverty* in Thai, translated by IU member Suthon Hinjiranan. Hinjiranan's own book, *The Unjust Poverty,* has also been released, applying Henry George's ideas to the Thai context.

Meanwhile, the government has been holding a series of land management workshops to explore alternative systems. In February Bill Batt of the Schalkenbach Foundation visited Thailand to lecture on George's thought, where his audiences included the Ministry of Finance.

Now the Thai cabinet has approved 'in principle' a new land reform and progressive land tax, aimed at ending speculation in land. According to Mr Hinjiranan, in reality the proposed reform may not be as good as it sounds, as there are numerous political obstacles, but at least land values are finally being discussed again in Thailand.

World Bank waking up to land tax

The World Bank is not famous for its open minded and progressive approach to economics. Too often it has imposed inappropriate policies of privatisation and liberalisation on developing countries, sometimes with disastrous consequences for their economies, their evironments and their citizens.

In particular, World Bank land policies have been severely criticised for dispossessing poor farmers and indigenous peoples, promoting unsustainable agriculture and resource extraction programmes that benefit a few corrupt officials, not the local communities.

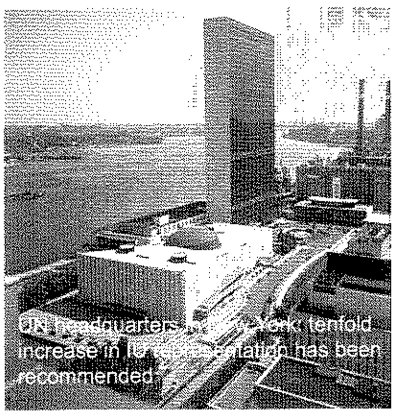
But now there is hope that the Bank may finally be getting the land message: a recent policy research report written by one of its senior economists identifies land taxes as the best means of funding sub-national governments, on the grounds that land rent collection does not distort the economy the way that other taxes do.

What's more, Klaus Deininger, the author of the report, believes that 'Purchase of development rights pays the landowner for the unearned increment of land values..., whereas land value taxation taxes land more heavily than improvements, thereby encouraging the development of land.' (ch4 of *Land Policies for Growth and Poverty Reduction*, K. Deininger, 2003) Read the report at http://econ.worldbank.org/prr/land_policy/

International Union gains enhanced recognition at United Nations

The International Union for Land Value Taxation has been formally recommended for Special Consultative Status with the Economic and Social Council of the United Nations. This will bring a "more advanced" level of participation with the UN.

The enhanced status means that the IU will be able to increase its representation at the UN from 2 people to 22, They will have access to a broader range of UN work and more chances to influence official proceedings.



UN headquarters, New York: tenfold increase in IU representation has been recommended

letter from the editor

My car got run over last week by a one-and-a-half ton Isuzu Trooper. It did the car no good at all. My Toyota Carina, which had ten good years driving still in it, had to be scrapped: the insurance man said that's how it was.

It could have been repaired. The cost of the materials would not have been so much. But in our mixed up economy the car had to be written off. The labour cost made repair uneconomic. We pay ourselves too much to make repair an option. In an apparently greening age we throw away and buy new.

There are two reasons for this daft situation. First, the cost of disposal fails to correspond to its real cost - the cost to me, to the environment, to the economy.

Second, the return value of the capital in use - all those machines and built-up knowledge about cars - gets written off over time, so the cost of making one new replacement car falls. We supply ourselves with new cars with insufficient regard for the real cost.

We are able to have those cars with barely a finger being lifted. The degree to which we rely on capital and not labour to make things is increasing by the day. A crisis is looming because of this - witness the European food mountains. Factories turn out too many cars which are decreasing in sale value, because the alternative applications of the capital and labour involved would create products which were even less needed or demanded and give lower returns for the effort.

When I looked for a new car I was horrified by what I found. I discovered that the cheapest option is to simultaneously ease the gluts on the new car and money-lending markets. So I bought a brand new van on credit.

In 1909 a model T Ford worker took 4000 hours to earn the car's purchase price of $950. Today's equivalent is 400 hours. And the relative balance of capital and labour input which car building requires is shifting further and further away from labour. People as workers become a diminishing part in our economies, while the power of capital grows.

As society builds on its past achievements, the new generation enjoys 'for nothing' the advantage of its social and economic inheritance. But a consequence of this 'progress' is that the value of what is done *today* become less and less important to us. The global returns of labour are lessening. That is to say that it may soon not be possible to make a living from work.

My tatty old car was a dependable piece of my life. Hard economics and an Isuzu Trooper brought it down.

Peter Gibb
editor@LandandLiberty.net

Oxfordshire to survey land values

A trial land valuation and study of LVT has been initiated in Oxfordshire. The County Council, which has a joint Tory / Lib Dem administration, saw Labour, Lib Dem and Green councillors voting together last June to "set up a Working Party to investigate the possibility of following Liverpool's example, by lobbying the government to allow it to raise a Land Tax." The Working Party intends to carry out a valuation of an area of Oxfordshire, showing the effect of LVT on residential, commercial and agricultural land use, in a part of the UK that is very different from Liverpool or Scotland. One of Oxfordshire's District Councils, the Vale of White Horse, has now voted to support the County by undertaking "an analysis of a representative area of the Vale."

On the 15th July a seminar was held for officers and members of both Councils. Leading supporters of LVT spoke, including Dave Wetzel, Tony Vickers and Robin Harper MSP. The cross-party, cross-council coalition is set to raise funds for a valuation of about 3 km sq, including 3000 homes and farming land, straddling the Oxford Ring Road at Botley. The Chair of the Working Group is Margaret Godden, the Lib Dem Deputy Leader of the County Council. An HGF member, Cllr Godden hopes the valuation will be done before the end of the year.

Too good to be true?

The month of May saw a conference held in London with the title 'Self-financing transport infrastructure through land value gains: Too good to be true?'

The assembled audience of transport, property, regeneration and local government professionals heard that the answer to this question was an emphatic 'no, it's not too good to be true.' The conference went on to discuss in detail the practicalities of using land value capture to pay for transport and regeneration.

Organised by the Waterfront Conference company, the event was chaired by HGF member Dave Wetzel. HGF chief executive Peter Gibb spoke on LVT, and London's Transport Commissioner Bob Kiley delivered the keynote address. Kiley stressed the importance of ensuring that land owners who were advantaged most by new rail projects contributed to the cost of their delivery.

Mixed messages

Signs are growing that the UK government is seriously considering a land value tax to fund regeneration, housing and transport. After months of hints from within Whitehall (see *communiqué* Spring 2003) John Prescott has openly declared his interest in land value capture.

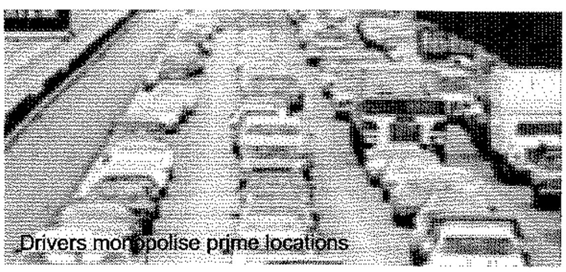
Speaking to Nick Mathiason of The Observer in June this year, Prescott said: "If you want extra money you've got to find new forms of financing. I've always found it unacceptable that we can have massive value increases in areas by the local authority investing in something and we don't see the real benefit from it. 'We're looking at other forms of funding to get the development. One of the ways is looking at getting more from the benefit of increased land value that comes from [the development]." Prescott also hinted that Chancellor Gordon Brown was behind the new tax (see press cuttings on accompanying pages).

Yet at the same time, the Treasury has just killed off hopes of including a levy for land owners in the Business Improvement District scheme. BIDs are intended to regenerate urban neighbourhoods by charging companies within the area increased property taxes. The idea is imported from the US, where many declining cities have been revived by BIDs. The scheme requires approval by a majority of contributing businesses. In the US, the extra charge is levied on property owners and businesses that rent premises within the area. But over here the government has refused to include landlords in any way.

This failure means that occupiers are now expected to pay the extra charge in order to fund regeneration. This will simply increase their rents, and therefore also raise their rates still further. This means that the chances of BIDs being voted for by businesses are slim – so the government's most radical regeneration initiative seems doomed to fall at the first hurdle. In the midt of all this, the landlords are actually pleading to be allowed to help pay for BIDs. Almost every property industry organisation – including the British Property Federation – has lobbied the government not to exclude land owners. They know all too well that regeneration will boost the value of their property, and that it's worth their while to pay a little up front in order to reap a huge windfall gain later. But it now seems the entire BIDs process will fail.

Land tax on wheels?

Following the success of London's congestion charge, the government is set to introduce nationwide road pricing.



Drivers monopolise prime locations

The Transport Secretary Alistair Darling has published a paper exploring the possibility of charging motorists for every mile they drive. (Controversially, the plan would fund a new £7bn road building programme.) In fact, such a scheme for all of Britain's 430,000 lorries is being introduced in 4 years, using satellite tracking to monitor vehicles and levy charges.

The idea behind road pricing is that drivers should pay more to drive on congested roads at busy times, and less in remote rural areas or at night. But is such a move wholly desirable?

It is also intended that fuel tax would be cut correspondingly – signalling a shift in the tax burden from flat rates to charges for benefits received. Is road pricing effectively a form of mobile LVT – levying a charge on those who monopolise valuable locations with their cars?

Crossrail is on

On July 14th the government finally gave its support to London's Crossrail project. Transport Secretary Alistair Darling said that if the project was to go ahead there would need to be "a very substantial contribution to its costs from those who would benefit most from it" - and announced a comprehensive review to examine the funding options.

Given Transport for London's interest in capturing land values, and the absence of any other funding mechanism that could raise the £15bn needed, the Crossrail project could represent the best chance in a generation for the introduction of some form of land value taxation.

Even Digby Jones, head of the CBI, recently called for a levy on land value increases to pay for the line. In the Telegraph on 6th July, Jones claimed that business was willing to help fund Crossrail, saying "we don't need an increase in business rates right across London, but it's only fair that business shares the gains which Crossrail could create."

essay

Ireland's land problems past, present and future

The Henry George Foundation is holding its conference this year in Dublin. Ireland is seen by many as the spiritual home of land reform. Here **David Smiley** sets out some of the history to the present situation in the 'celtic tiger' of Europe, while in ***fresh thinking*** Emer O'Siochru explains why land is back on the agenda.

Consider some of the results of rising population. It was Thomas Malthus who showed why wages fell, and it was David Ricardo who showed why the rent paid to landlords rose. Adam Smith had already pointed out that "The landlord reaps where he does not sow". Putting all this together, Alfred Marshall argued that taxing rent would lead to progress, and Henry George showed that such a tax could lead to progress without poverty, and quite independently of demographic change.

So what was it that these giants of economics were saying, how does it explain Ireland's past, and how might it inform Ireland's future? First, what is rent in this context? It is a payment by those who use land, anywhere and for any purpose, made to those who own it. It is not small: the rent of the land of Ireland could be equivalent to a quarter of the value of its national income. Why should it be taxed? There are strong economic reasons. Paul Samuelson, perhaps the most widely read twentieth century economist, said: "Pure land rent is in the nature of a surplus that can be taxed heavily without distorting production incentives or impairing efficiency." No other tax works in that way. There are also strong social reasons for such a tax, reasons connected with poverty, inequality and housing affordability. Let us now put all this into the context of Ireland's history, but in such a way as to suggest a path to future progress without poverty for the 'Celtic tiger' of the EU.

In agrarian societies such as that of historical Ireland, the wealthy owned the land and lived on its rents. The wealthy were typically the rent-receiving kings, barons and lords and, in some periods of history, also the church, in the form of rent-receiving monasteries and the comfortable "glebes" and "livings" described, for example, in the novels of Anthony Trolloppe. Rents were paid as a proportion of wages, a portion of produce such as a tithe, or as an obligation to fight for the landlord. As an example of the first, of the shilling and sixpence per day paid for casual work in Connemara, one shilling was withheld in rent. As an example of the second, Colin Clark found that rents in populous agrarian societies tended towards fifty percent of produce, paid to a landlord for actually doing very little. As an example of the third, land holdings, and therefore rent, could be increased by seizure, by landlord turned warlord, leading to one description of European history as "a series of dynastic squabbles over real estate."

For our purposes here we start in 1155 when Pope Adrian IV "granted and donated Ireland to the illustrious king of England, Henry II, to be held by him and his successors." A later Henry, the VIII, anxious to maintain his family's landed inheritance through a male heir, helped create a new branch of Christendom in order to achieve this. In 1541 he then declared himself king of Ireland allowing him, as head of the Church of England, to seize some wealthy Irish monasteries. To deal with some bad reactions to this, particularly in Ulster, his daughter Elizabeth I installed "plantations" of English and Scottish settlers, evicting the locals into wretched conditions of semi-slavery. In the 1641 uprising some 2000 of these settlers were killed. This led to Cromwell's retaliatory massacres, the seizure of the best 25 percent of Ireland's land for his soldiers, and the displacement of surplus population to the relatively infertile West. The huge wealth shifts in the form of transfers of wealth are not documented, but no doubt Ricardo could have calculated them using his law of rent.

Fifty years after Cromwell's rampage came the battle of the Boyne. Though a turning point in Irish history, its origins had nothing to do with Ireland and everything to do with

This is a selection of press cuttings from the last few months, that HGF selects for readers of Land&Liberty *communiqué*.

LETTERS TO THE EDITOR: **Collect common resources' value as public revenue**
By James Robertson
Financial Times; Jun 28, 2003
From Mr James Robertson.

Sir, Peter Hain asks: "How can we ensure that hardworking middle-income families and the low-paid get a better deal, except by those at the very top of the scale contributing more?" (June 21). He himself, along with most mainstream opinion, seems to assume that the answer can be found only in reducing income tax for the former and raising it for the latter. Hence the recent spat. But lateral thinking suggests an alternative approach. What if the burden of tax were no longer placed primarily on income itself but on the sources from which disproportionately large incomes and wealth now flow to the rich?

The activities of society at large, not of individual people and organisations, create the value of common resources such as land site-values, the value of energy before its extraction and the value of using the environment as a sink for pollution and waste. Because the full value of those and many other common resources is not now collected as public revenue, those who benefit from them get a large "free lunch".

For example, public investment in London's Jubilee Line is estimated to have raised the site values of property in the area by £13bn, with resulting increases in incomes and wealth for the beneficiaries. By contrast, auctioning the use of the radio spectrum for third-generation telecommunications for 10 years resulted in £22bn for the exchequer. That could be a model for a larger shift towards collecting the value of common resources as public revenue, instead of via taxes on income.

It deserves serious study. It could result in a more efficient economy, as well as one that is fairer and more environmentally benign.

James Robertson, Cholsey, Oxon OX10 9NU

LETTERS TO THE EDITOR: **Your share of a rail operator**
By D.T Riley
Financial Times; Jul 05, 2003
From Dr D.T. Riley.

Sir, So Connex, which previously lost the South Central franchise, has lost the South East franchise after swallowing £58m and requesting £200m more of taxpayers' money ("Connex sacked for going off the financial rails", June 28). Non-commuters and non-property owners in the South East do not want another operator appointed by the state.

James Robertson (Letters, June 28), emphasises the alternative. Capture the benefits of the service from the beneficiaries, ie the property owners near all the 200 stations. Then let all these owners form a company to fund and appoint an operator. A goal of a £5m share subscription from those who have benefited from the property boom near a typical commuter station is a fair target. No need then for taxpayers' funds.

Tom Winsor, the rail regulator, gets shareholder involvement, many of the users will also be shareholders and an improving service will boost property values. (Network Rail would of course close any station whose nearby property owners did not take up their share entitlement.)

D.T. Riley, DDS, London SE1 1HH

LETTERS TO THE EDITOR: **The Treasury must relinquish its grip if regional economic distortions are to be eased**
By Toby Lloyd
Financial Times; Jul 12, 2003
From Mr Toby Lloyd.

Sir, Regional imbalance hurts everyone. Martin Wolf ("How to close the gap between the regions", July 7) highlights the plight of England's cash-starved regions, and also points out that the wealth of London and the south-east makes these expensive and difficult regions to live in too. To resolve both these problems, the regions need to be financially independent and able to invest in their own development. This requires genuine decentralisation of fiscal powers - especially if the existing and proposed regional assemblies are to have any validity.

Mr James Robertson (Letters, June 28) stresses that resource rents are the fairest and most efficient means of funding public expenditure, and Dr D. T. Riley (Letters July 5) has shown that transport infrastructure can be, and should be, paid for by the property owners who profit from new developments.

Such land taxes are also the simplest and best way of funding regeneration programmes, as the rising property values that result from regeneration investment are in effect recycled to pay for the investment in the first place.

The government knows this, but is so scared of being seen to tax property-owning middle England that it has in effect killed off Business Improvement Districts (Bids), the only serious attempt to link regeneration with rising land values, by refusing to include land-owners' contributions in the Bids' legislation - even though the landlords of the British Property Federation pleaded to be allowed to pay the charge.

Sadly the same control freakery has strangled regional policy: the government so far has refused to grant London any significant fiscal autonomy, condemning Londoners to soaring, regressive council taxes and crumbling infrastructure, while property prices drive key workers out of the city.

Unless the Treasury can be made to relinquish its grip, the unemployed of Newcastle and public transport users in London will both continue to suffer the consequences of a distorted economy.

Toby Lloyd, Henry George Foundation, London E1 6EL

Prescott Plans New Land Tax

Nick Mathiason
Sunday June 8, 2003
The Observer

A radical land tax set to be introduced by the Government could yield hundreds of millions of pounds to build affordable homes and transport links.

Owners would pay the levy on the value added to their land by the new projects.

The aim of the proposal is to quell growing scepticism that John Prescott's much vaunted Communities Plan - designed to deliver 200,000 new homes in the South-East and combat deprivation in the North - will ever take

The land value tax could help to pay for the heavily delayed Crossrail project, a rail line connecting Heathrow and east London via the Square Mile.

The Deputy Prime Minister, giving his clearest support yet for such a scheme, told The Observer: 'If you want extra money you've got to find new forms of financing. I've always found it unacceptable that we can have massive value increases in areas by the local authority investing in something and we don't see the real benefit from it.

'We're looking at other forms of funding to get the development. One of the ways is looking at getting more from the benefit of increased land value that comes from it.

'So we're looking at a number of options. We can't get into some of the land areas that we need for housing unless we get the transport infrastructure... I just think we should be in on that.

Prescott hinted that Chancellor Gordon Brown backed the tax and that further announcements will be made later this year.

Studies show that the arrival of a new London Tube line sparks localised property booms from which the Government and local authorities gain nothing. The price of houses near the Jubilee line soared by an estimated £14bn as it opened in 2000. The tax could help launch the building of a much-needed new wave of rail, tram and other infrastructure. Property owners would pay extra, but guarantees of new infrastructure should quell protests.

The Cabinet Office and the Treasury are studying the Sustainable Communities Plan amid doubts about whether key government departments, such as health and education, support Prescott's housing vision.

Thinking ahead

Taxation ideas suggested in a groundbreaking book more than a century ago are increasingly being seen as a solution to current problems. Victor Keegan reports

Victor Keegan is editor of Guardian Online
Thursday June 26, 2003

A US social reformer who died more than 100 years ago would probably be smiling if he could see the way in which his ideas are slowly starting to take root.

Henry George was the author of the world's first best-selling book on economics, Progress and Poverty (1879). It hugely outsold Das Kapital, and was cited by HG Wells and George Bernard Shaw as the main reason for their conversion to socialism.

In it, George advocated what has been described a the least unfair tax: a levy on land values. The ide is to tax increases in land values that have nothing to do with the individual efforts of the owner, as when a new underground system such as the Jubilee line raises the value of land and property for miles around.

Unlike taxes on incomes, a tax on rising land values is a levy on unearned income. What could be fairer? Variants of the land value tax are startin to come back into fashion as a result of the government's search for increased revenues at a time when it perceives, rightly or wrongly, that th electorate will not tolerate higher income taxes.

This week, the Social Market Foundation, an independent think tank, called (among other things) for an annual property tax of a proportion of the value of a house. This is not quite what George had in mind, but it is moving in that direction.

Earlier in the month, one of the academic papers published as part of the Treasury's five tests on euro entry suggested a Danish-style property tax of 1% on the market value of most owner-occupied houses.

It suggests that changes in the property tax could become a powerful tool to manipulate the economy if Britain enters the eurozone and has to surrender control of interest rates to the European Central Bank.

The biggest potential for a land value tax has already been endorsed by Bob Kiley, who is in charge of transport in London, as a means of financing the proposed Crossrail project across the capital.

The capital cost of the project would be paid for by the community whose land values have risen as a result of it, leaving the operating cost to be met out of fares.

This follows on from estimates by Don Riley (author of Taken for a Ride) that the Jubilee line, which cost £3.5bn, led to an increase in the value of land nearby of £13bn.

You don't have to buy all of George's ideas (he wanted the land value tax to replace all other taxes and claimed that it would abolish unemployment) to believe that it is an idea whose time might soon come.

No one likes taxes, but this is the least unfair of them all (which does not, of course, mean that it will be popular with the Daily Mail).

George was influenced by earlier sages such as David Ricardo, Tom Paine and John Stuart Mill, who wrote: "The increase in the value of land, arising as it does from the efforts of an entire community, should belong to the community and not to the individual who might hold title."

They would all have been very surprised to know how long it has taken for the idea to start taking root. It is only now, when ideas for raising new taxes have been almost exhausted, that people are starting to look at the best ideas from the past.

Without landlords, BIDS are dead on arrival

BUSINESS IMPROVEMENT DISTRICTS ARE DEAD. LOCAL GOVERNMENT MINISTER Nick Raynsford effectively buried them last week with a letter to Land Securities chief executive and former British Property Federation president Ian Henderson (see news, p7). The BPF argues that without landlords, BIDs will not work. But the minister has said he will not change legislation that is going through parliament to make landlords' contributions mandatory.

In the US, BIDs have brought about the regeneration of many big cities. They have reduced neighbourhood crime, beautified the streets and enhanced property values. From providing a greater security presence to improving street furniture, landlords have stumped up the cash.

The British government, however, refuses to involve property owners. Occupiers are supposed to foot the bill, on top of their business rates, for the improvements to their neighbourhoods, but will also hand their landlords a good argument to raise their rents on review. Oh, and the government expects occupiers to vote for such a scenario.

The government argued that a mandatory contribution was equal to a new tax on property owners. But it has never been too worried about increasing the tax burden on business and the property industry in particular. Its concern and sensitivity on fiscal matters, though welcome elsewhere, is simply illogical in the case of BIDs.

The reason for its bizarre behaviour might simply be manipulative. If BIDs are ever to succeed, the more high-profile town centres will lead the way while less attractive town centres wait their turn. The five pilot BIDs bear this out.

By killing BIDs, the government maintains its control of the timing and pace of the urban regeneration agenda.

And the winner is ... property

It was a moment the property industry had been waiting years for. Hammerson in particular, but also Land Securities, British Land and Development Securities, dominated the Investor Relations Awards on Monday night.

Investor relations have risen swiftly up the business agenda over the last 12 months as a series of Enron- and WorldCom-style scandals have focused minds on corporate governance. A total of 640 investment professionals and 20 City editors from the national press were interviewed for the awards to decide which companies had excelled.

It will take more than a few awards to change the public perception of people in the property industry as little better than used car salesmen.

But Hammerson and other property companies beat British Airways and John Menzies into second place again and again. So perhaps the City's still-rampant cynicism towards the sector will begin to ease.

John Welsh, editor

A rational way to stop the 'cancer' of speculation

Regarding your editorial on speculators sniffing around renewal zones (*Regeneration & Renewal*, 11 July, p17), it should come as no surprise to anybody, regeneration professional or not, that if you have an area known to be 'on the rise' economically you will attract speculators. All the more so if the Government announces an infusion of state funds and/or a stamp duty holiday.

We should not blame speculators for acting as rational agents in the market. We should blame ourselves as a society, in particular the so-called economic experts who advise governments, for failing to choose policy tools that can deal with speculation – which is a cancer.

Land is in finite supply. The cost of ownership is minimal compared to the unearned financial gains possible in a rising market. What we need is a fiscal policy that gives an incentive for owners to develop sites in accordance with the best interests of urban regeneration.

An annual tax based on the market value of the site in its optimum use would achieve this. It needs to be high enough to influence behaviour. It should replace all taxes on property transactions, which tend to deter redevelopment.

Valuation for such a tax is not that difficult, especially where the rate of transactions is rising and providing market evidence. In the House of Lords recently, a Government minister admitted that annual computer-based valuations are achievable.

Our property professionals too often seem to serve the interests of clients with doubtful interests, rather than the public interest. If we are really serious about regeneration and affordable homes in sustainable locations, we must tackle the land tax issue now.

Tony Vickers, Modern Maps, Newbury

EGENERATION & RENEWAL
8 JULY 2003
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Landowners avoid the Crossrail funding trawl

FUNDING

By Colin Marrs

Landowners look set to escape being asked to contribute to funding Crossrail despite likely increases in the value of their estates brought about by its construction.

The Government this week signalled that costs of the £10 billion scheme would mainly be borne by business occupiers and developers along the route, and paying passengers. But landowners, who are set to reap billions from an uplift in land values, were not mentioned during a statement to the House of Commons by transport secretary Alistair Darling.

He said: "Where there are specific development opportunities arising from the project, we [must] take full advantage of these and secure an appropriate contribution to the cost of the project from the developers concerned".

Julian Barwick, managing director of Development Securities, which has landholdings on the preferred route, said that taxing developers would only raise a small amount. He said that taxing developers would "doubtless arise", but that is should be remembered that newly developed buildings only represented two to three per cent of the total property stock in any given year.

Barwick: taxing developers would only raise a small amount

Darling also left open another option, that of tax incremental financing (TIF), which would enable large amounts of money to be raised through bonds or bank loans backed by the promise of future increased tax revenues resulting from development.

Transport for London commissioner Bob Kiley has advocated this idea, and believes that the tax revenues should come from business rates, which are paid by occupiers, rather than landlords.

But Toby Lloyd, executive officer at tax reform group the Henry George Foundation, said this would be unfair: "It is the same as the Government attitude towards business improvement districts. The burden falls on the people using land proactively rather than those just sitting on it."

He said that TIF legislation should be introduced to allow it to reap an increase in land values.

But British Property Federation chief executive Liz Peace said that a tax on occupiers would eventually filter through to landlords.

REGENERATION + RENEW
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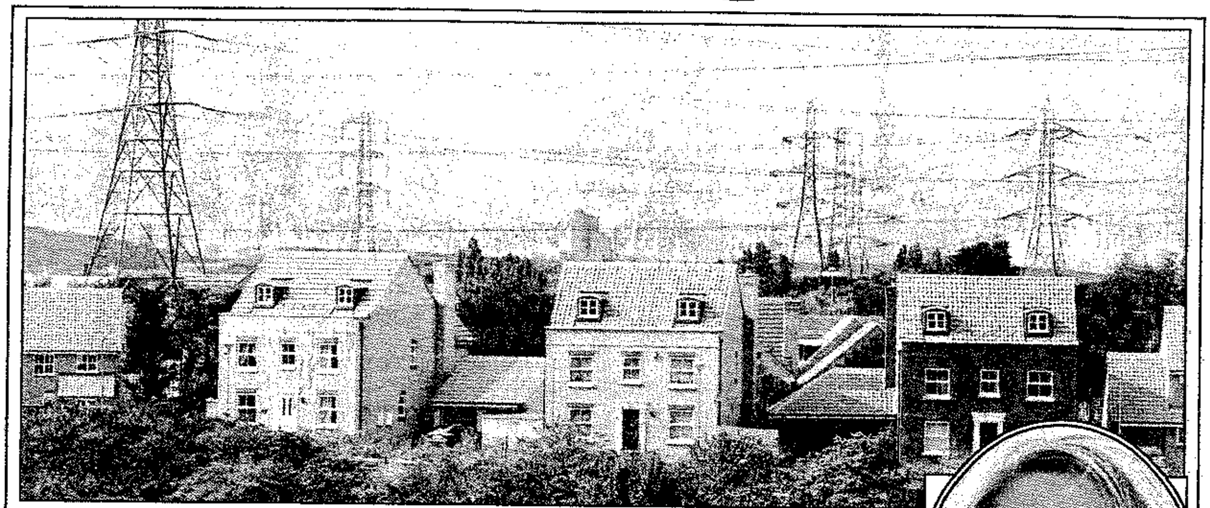
The blight guide

How pylons or a pub can hold a house price down

By **Sean Poulter**
Consumer Affairs Correspondent



A PRICE has been put on the 'blight and beauty' factors which determine whether your dream home is a prudent investment.

Researchers have calculated the percentage that can be added or subtracted to a property's value by assets such as good transport links or drawbacks such as mobile phone masts nearby.

No matter how wonderful your chosen property may appear, a derelict or rundown home next door would knock some 18 per cent off its value, according to the experts at property website Hometrack.co.uk.

Quoting a house price average of £135,200, that translates into a

'Transport links are a top priority'

£24,336 reduction, its study concludes.

Similarly, the blight of derelict land, with all the doubts about what may be built on it, would knock 15 per cent (or £20,280) off an asking price.

At the other end of the scale, good communication links such as proximity to a mainline rail service add many thousands of pounds to a property's value.

Hometrack suggests the commuter household will pay an extra 11 per cent (or £14,872) for the convenience of a nearby rail service. Similarly, good motorway or dual carriageway links are also highly prized – adding ten per cent (or £13,520).

Many families have deserted the cities in search of a better quality of life and, particularly, education for their children.

The survey suggests being close to a good state school will generally add eight per cent to the value of a home, pushing the average price up by close to £11,000.

According to Hometrack's calculations, then, a house convenient for rail links, motorways and good schools with the added bonus of being near a park or open countryside – a six per cent premium – would command an asking price of 35 per cent (or £47,000) above average.

A study published last week by Barclays Bank argued that the school factor was even more important, suggesting a price premium of 30 per cent on a home in the catchment area of a good primary school.

By contrast, Hometrack suggests the difficulties of being close to a poor comprehensive school will reduce values by ten per cent.

High on its blight list are the pungent smells of a takeaway restaurant and the noise from a nearby pub or club. These are all said to push down prices by an average of 15 per cent (or £20,280).

Being under an airport flightpath is considered just as serious a nuisance.

The study suggests there is a difficult balance to strike between the advantages of being close to good roads and facilities, such as restaurants, shops and pubs, and the disadvantages of the noise and nuisance they create.

John Wriglesworth, senior economist of Hometrack, explained: 'The top priority is for excellent communications links.

'But we don't want them to be too close. Being on a noisy road or right next to the railway line has a big negative impact, lopping up to 15 per cent off the value of your home.'

s.poulter@dailymail.co.uk

LOCATION, LOCATION, LOCATION

How location and quality of life services or blights affect the value of a property. Figures, compiled by Hometrack.co.uk, are based on a national average house asking price of £135,200.

POSITIVE - (within 3 miles)

Main line railway line	+11%	+£14,872
Motorway/dual carriageway links	+10%	+£13,520
Top state school	+8%	+£10,816
Open countryside/park	+6%	+£8,112
Restaurant/pubs/nightlife	+5%	+£6,760
Quality foodstore *(Waitrose/M&S)*	+4%	+£5,408
Good NHS hospital	+2%	+£2,704
Sports club/exercise facilities	+2%	+£2,704
Post office and bank	+1%	+£1,352
Cinema/entertainment	+1%	+£1,352

NEGATIVE - Things to avoid

Run-down/derelict houses	-18%	-£24,336
Airport flight path	-15%	-£20,280
Derelict land	-15%	-£20,280
Pungent takeaway	-15%	-£20,280
Late licence drinking/music venue	-15%	-£20,280
Busy road	-12%	-£16,224
Waste/refuse station	-12%	-£16,224
Poorly-rated comprehensive school	-10%	-£13,520
Local authority housing	-10%	-£13,520
Electricity pylons	-9%	-£12,168
Prison	-8%	-£10,816
Railway line	-6%	-£8,112
Mobile phone/telecom masts	-3%	-£4,056

MELANIE Hall saw the value of her home plummet after a 20ft mobile phone mast was put up nearby.

She was awarded thousands of pounds in compensation from mobile phone company One2One, now called T-Mobile, following a landmark court ruling.

But Mrs Hall (pictured) says the payout of less than £20,000 was not enough as the value of her Swindon home has fallen 25 per cent.

The mast is just 30 yards from her daughter's bedroom.

Mrs Hall, 36, who fears the structure may pose a health risk, added yesterday: 'This was our ideal home. But now all you can see from the garden is the mast.'

Landowners avoid the Crossrail funding trawl

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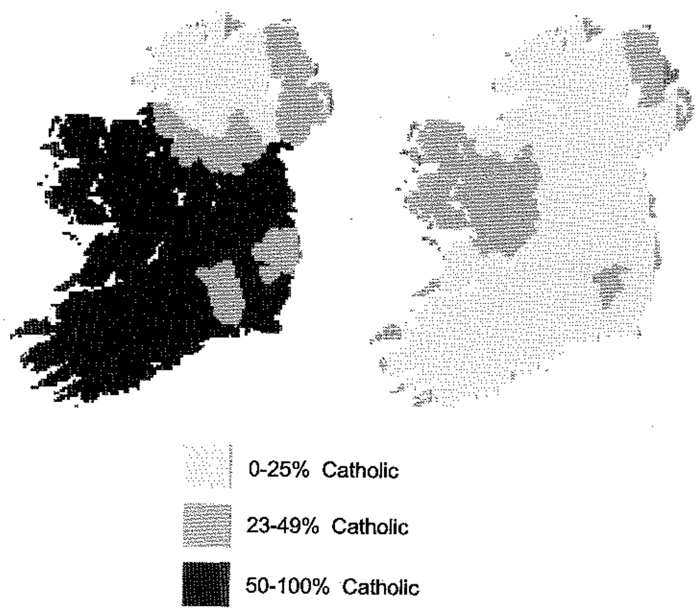
the Restoration in England and the Pope's concern over the outcome of Franco-Spanish rivalry. Arising out of this, a Dutch Protestant, supported by the Pope, defeated a Scots Catholic in the battle for what was, essentially, the ownership of the rent of Ireland. The victory of the English Protestant forces resulted in measures to protect existing rents, and to procure further rents, in a period known as the "Ascendancy" of the descendants of Elizabeth's settlers and Cromwell's soldiers. The protection of rent came about from the "Penal Laws" whereby Catholics were forbidden to buy land, practise their religion, or enter the professions. The increase in rent came from further seizures. By 1750 Catholics owned only 15 percent of the land. By 1778 only five percent. As population grew to 8 million rent also grew, not only absolutely but as a proportion of wages, following Ricardo's law of rent, pushing the population further into poverty. Then, when the potato crops failed, living standards were pushed below subsistence. In the great famine of 1845-1851, one million died and one million emigrated. And a further million emigrated in the next five years, carrying a bitterness which survives today in America as well as in Ireland. During the famine, excellent wheat harvests were being exported since there was no local purchasing power. Soup kitchens - and all other temporary palliatives tried then, and in other countries since - probably saved a few lives but, typically of much government and charitable intervention, actually helped to maintain rents by providing the wherewithal to pay them, a lesson still not learned after fifty years of "developmental" intervention in the third world. Some attempts at rent control were made subsequently, but it was not until the 1890s that Henry George, continuing where David Ricardo and J.S. Mill left off, visited Ireland and explained how a tax on the rent of land could have removed poverty and set Ireland on a path of economic growth.

Catholic land ownership before and after Cromwell's land seizure



There is nothing which happened in the 19th and 20th centuries, the agitations of Parnell and of O'Connor, the agitations for Home Rule and for Partition, and all the subsequent problems of Northern Ireland, which cannot be explained by the land expropriations of the 16th, 17th and 18th centuries. That all this could have been prevented by a tax on the rent of land remains obscured by two powerful myths which survive today and continue to maintain a political impasse over Northern Ireland, encouraging one gang of thugs to march provocatively and another gang of thugs to shoot at them.

The Nationalist myth of the rapacious English landlord does contain a large grain of truth. Some absentee landlords lived, and some still do, in England. But, even when the battle of the Boyne was fought, the landlords descended from Elizabeth's settlers and Cromwell's soldiers were by then no more English than the rapacious Celt, Viking or Norman landlords who preceded them. The enemy of the peasant was the landlord, regardless of nationality.

The Loyalist myth of the superiority of Protestantism over Catholicism is not susceptible of any kind of proof, and may simply be a justification for a class system of discrimination, a remnant of the land problem, which still persists in Northern Ireland. Another claim, that landlords who evicted their tenants were selfless agents of modernisation, endorses a policy which carried a huge and terrible price tag, and exposes a most unfortunate ignorance of the works of Smith, Ricardo, Mill and George, and of a land taxation system which could have removed poverty while also supplying the revenue for modernisation.

Moving on, what can we learn from all this? I think it is this: that the government collection of the rental value of land, a policy that would have dramatically altered Ireland's history, remains the answer to many of Ireland's modern economic and social problems, masked, as they are today, by the effects of EU intervention and support.

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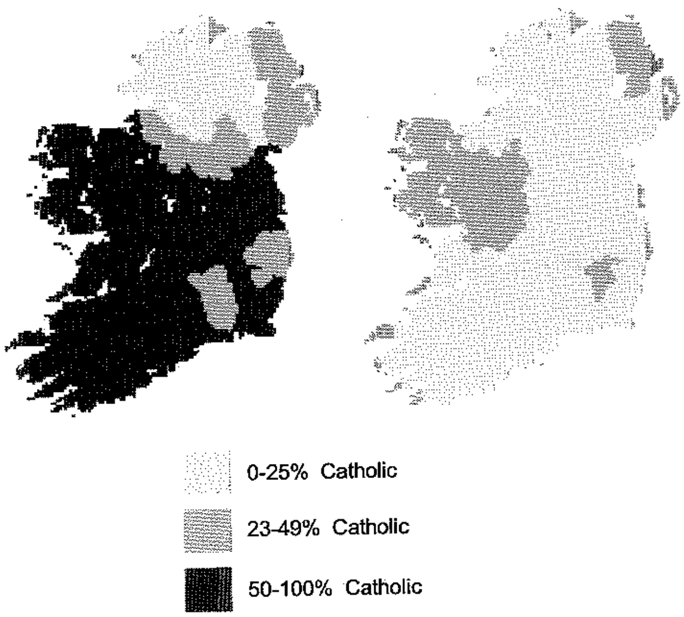

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LandandLiberty.*net*
the live on-line magazine *putting people at the heart of economics*
Land&Liberty*annual*
the printed compendium of the year's best writing
Land&Liberty*communiqué*
the quarterly newsletter of the Henry George Foundation

HENRY GEORGE FOUNDATION

diary

5.30-8pm, 9th September, Edinburgh
Bookshop and web magazine launch
LandandLiberty.*net* will go live for the first time, and HGF's new bookshop will be formally launched with a reception in the shop itself at 58 Haymarket Terrace, Edinburgh.

9th-10th October, Tara Towers Hotel, Booterstown, Dublin
Land: The Claim of the Community.
An international conference to explore initiatives in affordable housing, infrastructure provision and local government finance, hosted by HGF and Feasta, the Foundation for the Economics of Sustainability. Speakers include Joshua Vincent (Centre for the Study of Economics, Philadelphia), Dave Wetzel, (Transport for London), Fred Harrison (Centre for Land Policy Studies) and Rob Gibson (MSP). For details, contact HGF or Feasta, 159 Rathmines Rd Lower, Dublin 6, Ireland.

16th October, London
Regional Transport Strategies: Key Policy and Delivery Issues
Conference discussing the effective integration of land use and transport planning.
Info: www.thewaterfront.co.uk,
tel Elizabeth Smith 020 7787 1210
email conference@the waterfront.co.uk

The scheduled L&L interview with Clare Short has been postponed following her resignation as International Development Secretary.

letters

A letter from Kabul.

I returned to Afghanistan in June. So much had changed in Kabul in a year. The increase in UN and NGO folk has led to traffic jams and much worse air pollution, as they use leaded petrol.

The recent UN-sponsored report, "*Land Rights in Crisis: Restoring Tenure Security in Afghanistan*" may be of interest to L&L readers. The full report, summary and a press release can all be downloaded free at http://www.areu.org.pk. The report covers the issues around developing a sound legal basis for land rights management. Land issues impact on so much else here.

The report's author, Dr. Liz Alden Wily, has worked on tenure and related issues overseas for a long time. She may well be known to some L&L readers.

As regards public revenue, this comes mainly from a UN trust fund, which provides for the salaries of many, if not most, civil servants. (Salary payments to university and other teachers are often 1-2 months late!)

Shortly before I left the country President Karzi forced a showdown with some regional warlords over their obligation to share the very substantial customs revenue with the central government. I gather that the "settlement" is that central government will get about half, which I think is much less than they wanted. Everything is so fragile in the country, and there have been disturbing reports of large-scale Taliban infiltration from Pakistan. One has to be optimistic. I expect to be back in Afghanistan in September.

Best wishes, Michael Sinclair

write to
office@LandandLiberty.net

Land&Liberty has chronicled world events for over 100 years. It has offered a unique perspective with its reports, analysis and comment on the core issues of political economy. And that uniqueness remains. **Land&Liberty** aims to explore how our common wealth should be used - and to demonstrate that this is the key to building the bridge of sustainability between private life, the public sector and our resources - between the individual, the community and the environment. **Land&Liberty** - putting people at the heart of economics.

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