

# LAND – A FAIRER SYSTEM



Land – a place to live. Surely it is the most basic of all human amenities. Yet it  also become the principal tool by which people acquire and pass on wealth. The global financial crash of 2008 was precipitated by a credit-fuelled dash for  
 5 land and property. All  the USA and western Europe people became speculators in land, borrowing vast sums to cash in  rising values until the bubble burst, leaving their creditors, the banks, to go crawling to governments, and us, the tax-payers, to bail them . Even though the  
 10 effects of this crash are still being felt today, we seem not  have learned from it. The problems inherent in land as a marketable commodity are still the same  Tanzania's Julius Nyerere described them in his 1967 manifesto, *Ujaama*.

*'The African's right to land was simply the right to  
 15 use it: he had no other right to it ... The foreigner introduced ... the concept of land  a marketable commodity. According  this system, a person could claim a piece of land as his own private property whether he intended to use it  not. I could take a few square miles of  
 20 land, call them "mine", and then go off to the moon. All I had to do to gain a living from "my" land was to charge a rent to the people  wanted to use it. If this piece of land was in an urban area, I had no need to develop it  all; I could leave it to the fools who were prepared to develop all  
 25 the other pieces of land surrounding "my" piece, and in doing  automatically to raise the market value of mine. Then I could come down from the moon and demand  these fools pay me the high value of "my" land ...!'*

Yet there is a simple solution: a Land Value Tax (LVT). An LVT is a tax  the unimproved value of land, that is to say it is levied not on the value of a property but on the value of the land that the property sits on. Without an LVT, it is possible to buy a piece of land in an undeveloped area and wait  that area to be developed by the government or by the community around you. Through no diligence or hard work of your  
 30 own, that land will become more valuable by the addition of infrastructure and services – transport connections, schools, shops, etc. A Land Value Tax seeks to collect payment from you on what economists call the 'unearned betterment' of your asset – the part that has nothing to  with your actions as an  
 35 owner and everything to do with the actions of the community. So if the value of the land  improved by the community, the amount of tax you pay will increase. Should you develop the land yourself, on the  hand, by building or improving a house or running a business from that site, you will not  
 40 be taxed on those elements, since they constitute productive activity. If, however, you do nothing productive with it, you will pay the LVT regardless. In this , an LVT discourages idle speculation.

The economists Adam Smith and Milton Friedman both  
 45 noted the efficiency of a Land Value Tax and it has  implemented in a few countries, such as Denmark, Singapore and Russia. Winston Churchill was also a fan, stating that 'land differs  all other sorts of property'. So why is it not more popular? The main reason, as with many things, is  
 50 short-term and political. Introducing an LVT would impose fairly heavy costs  today's landowners, who would face a new tax bill and a reduced sale price. The benefit  future generations, however, would be enormous.