

The Labour Land Campaign warns George Osborne “Enterprise Zones do not work because they provide yet another subsidy to landowners – paid for by taxpayers”

The reports on why Enterprise Zones do not work produced by the Work Foundation (<http://www.theworkfoundation.com>) and the Centre for Cities (<http://www.centreforcities.org>) both expose the Government’s lack of understanding of how the economy works.

Enterprise Zones cannot work until a fundamental wrong in the economy is put right. All forms of subsidy or grant end up in the pockets of landowners. Land owners will charge the maximum price for an entrepreneur to use their land and they cream off the surplus income each site produces no matter whether that income is from the productivity of the business or a government subsidy or grant. The Enterprise Zones of the 1980s failed because the intended subsidy paid to businesses was filched by landowners as unearned income.

Today we see valuable and much needed land left idle or underused in our towns and cities because of property speculation. The Common Agricultural Policy (CAP) subsidies, provided to assist and encourage good farming, are another example of public money subsidising landowners who charge higher rents to farmers because of this increase in their income, paid for by taxpayers.

The report produced by the Centre for Cities states correctly of the Enterprise Zones of the 1980s ***“Land and property owners absorbed many benefits: Emphasis on capital subsidies meant that landowners accrued many of the benefits of EZs.”***

A measure the government should be taking is to implement a tax on the annual rental value of all land (LVT). This would encourage landowners to bring their empty buildings and idle brownfield sites back into use in order to provide an income with which to pay the tax. Consequently land that is needed to provide homes, jobs and leisure won't be kept out of use. The release of this land will mean not only more homes, business premises and jobs but over-inflated high rents could not then be charged to businesses. If other negative taxes on wages and production are reduced, the marginal costs for businesses reduces thus encouraging enterprise and investment in employment not discouraging such investment as happens under today's malfunctioning and unfair tax system.

Land, in urban and rural locations is a natural resource that only has an economic value because of the natural state of the land (eg fertility, substructure suitable for building foundations, climate, liability to flooding, mineral or oil deposits etc.) population density, public and private investment in infrastructure (roads, public transport etc), good public services (policing, health, education etc.) and useful local businesses. The charge landowners make for the use of their land is unearned income and should belong to the whole of the community that creates that wealth.

Land wealth is not created by landowners. An annual Land Value Tax restores to taxpayers a part of the land wealth we all create and brings economic, environmental and social benefits to the whole of society including:

- LVT is unavoidable and therefore cheap to collect and offers no tax breaks for tax avoidance cheats.
- LVT is a fair tax that treats tenants and freeholders more equitably.
- LVT provides a sustainable income for public expenditure and underpins the maintaining and setting up of local businesses and activities especially in depressed regions.
- LVT will assist communities to bring unused and underused sites into full use according to their permitted use thus reducing the opportunity or desire for speculation in land, land hoarding, land banking, keeping buildings derelict and causing an artificial shortage of land available for the provision of affordable homes and reasonably priced business premises in our cities, towns and villages.
- LVT is a green tax which will lead to the more efficient use of our land; a reduction in the need for urban sprawl and providing unnecessary infrastructure on green field sites and hence a reduction in long distance commuting and therefore a reduction in congestion, pollution, Co2 emissions, road deaths and injuries.
- LVT acts as an incentive to bring sites into their full permitted use, thus increasing the amount of land available for homes, commerce and small

business with land price reflecting its true economic value rather than the inflated prices caused by property speculation.

- LVT will make business premises more affordable and therefore enable small and community run businesses/co-operatives to be economically viable serving local people.
- LVT discourages “investment” in land speculation and instead investors will place their funds into new and expanding productive enterprises.

The message the Labour Land Campaign sends to George Osborne is “If you are serious about encouraging investment in businesses, jobs and depressed areas then don’t subsidise landowners with even more of our taxes – introduce the correct economic policy and tax the annual rental value of land to stimulate real jobs, economic growth and improvements to deprived areas.”

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