

Why is the work of the Labour Land Campaign so relevant to the work of the Labour Campaign for Council Housing?

We need land for homes, we can't build them in the sky!!!

Background

The Labour Land Campaign (LLC) is a broad left organisation that advocates the collection of land wealth which is **only** created from our combined demand to use land for homes, businesses, food production, public services, infrastructure and leisure etc. Land wealth is **not** created by land owners.

The history of ownership of land and land wealth in the UK is one of theft by a few privileged families and institutions at the expense of generations of workers and real investors involved in the production and distribution of food, goods and services by the many. Common land was enclosed, the Highlands cleared, farm workers evicted from their homes with no means to grow food for their families or have an income to survive, children were imprisoned or even hung for “stealing” wild rabbits, Parliament was established by landowners to protect their interests and access to land for homes and an income has been denied to millions over generations and, particularly since the end of the Second World War, millions have been forced to leave the locality they grew up in simply because homes were bought up by higher income families and then by property (actually land) speculators from the UK and from overseas.

Over 50% of the UK's net wealth is in land. Half of England is owned by less than 1% of the population. 30% of land has been owned by a few families for generations. 25,000 land owners (families, individuals and corporations) own half of England's land.¹

Economists seem to have forgotten the law of economic rent. There are three factors of production – labour, capital and land (which includes all natural resources); the return to labour is wages, to capital is profit or interest and the return to land is “economic rent” which is the excess income left after the costs of labour and capital have been met

As demand for land increases, eg local authorities buying land on which to build new council homes, so the price will rise. Similarly as our economy grows and business and personal incomes grow, so land prices will grow because landowners will price their land to rent or buy at the highest price possible.

The value of every home is made up of two parts: the value of the building and the value of the location. The closer a home is to jobs, shops, access to transport, good schools, good health care, parks and other places of beauty etc, so the demand to live there will increase as will the price of the land needed for homes and businesses in that locality.

Development sites with planning permission for homes and business premises that are kept idle for speculative reasons together with unused and underused buildings create an artificial shortage of land and therefore push the price of land above its real economic value.

¹ <https://www.theguardian.com/money/2019/apr/17/who-owns-england-thousand-secret-landowners-author#:~:text=Shrubsole%20writes%20that%20the%20bulk,amounts%20to%201.4%25%20of%20England.>

Increasingly, homes stand empty in areas with high property prices because they have been bought as an “investment” by UK and overseas speculators who are expecting the value of their home to rise or because they are second homes that are blighting once affordable villages and holiday destinations at the expense of local folk. This denies families a real home but those speculators enjoy uplift in the value of their property through no effort on their part.

Over 40% of adults are not property owners, they are tenants, homeless, live in residential homes and live with family and friends because an increasing number of younger adults cannot afford to rent a home let-alone buy one.

Over 40% of former council owned homes are now in the private rental sector and local authorities are having to spend millions of pounds renting them back for Council tenants.

Subsidies to businesses (eg zero Business Rates) and to owners of buy-to-let homes along with second (and more) home owners also push the price of land and therefore of homes to above the true economic value.

Public investments in public services and infrastructure will see land values increase in those areas. This is very obvious with public transport, for example Crossrail which is part funded by taxpayers has seen the price of land soar along its route through no effort by the owners of those sites. However, because land prices have risen, so too have rents for homes and businesses. **It is unfair that freeholders see their asset rise in value as the national or local economy grows whilst tenants see rises in their rents.**

Relevance of Land Value Tax to the building of more Council homes

No home can be built without access to land and as local authorities today are selling off this public asset so the need to buy land on which to build new homes together with the price of such sites will increase. The borrowing power of local authorities and the amount of land needed to satisfy the housing need gives tremendous power to owners of land. Even if compulsory purchase powers are used, already inflated land prices in so many of our towns and cities will mean yet another unearned gift to land owners.

(I am assuming no government in the foreseeable future will return land to a shared common with the economic rent of each site collected for the public good.) Our present tax system discourages land owners from developing derelict brownfield sites in our towns and cities or from completing the building of homes where they already have planning permission instead they hold these sites in tax-free land banks and benefit as their land prices grow faster than any other safe investment for their money. For economic, social and environmental reasons, we need a tool in place that will encourage owners of land to use it more efficiently and will collect land wealth to replace bad and distortive taxes and pay to maintain and develop our public services including good quality and affordable council homes for rent.

An annual Land Value Tax (LVT) offers such a tool. All land is valued at its optimum permitted value and an annual levy is applied. Council Tax, Business Rates and Stamp Duty Land Tax are the simplest to replace with LVT though by replacing other bad taxes including Value Added Tax, Income Tax and National Insurance, we will see a fundamental shift in unearned land wealth being diverted from those who claim ownership of this natural resource to the whole of society.

LVT together with other progressive and green policies can rid society of poverty, homelessness, unemployment, underfunded public services and see an economy that benefits all, heals and

protects our environment and an economy that encourages local production and distribution of food, goods and services.

What are the main benefits of shifting to LVT?

- Land value and taxes are inversely related so as LVT is introduced land wealth, reflected in rent and capitalised value, transfers to the public purse and away from land owners.
- LVT recognises that every individual helps create land values through their work, their community activities and their spending
- LVT means that the growing number of non-property owning adults also share in existing and future increases in land wealth rather than just freeholders and the big land owners.
- LVT recognises that every useful new investment – public and private – helps create land values, whether it is in public transport, businesses, leisure facilities, schools, colleges, hospitals, policing, airports, making neighbourhoods smarter and more pleasant, or in homes and jobs.
- LVT also recognises that existing services and businesses – public and private – have created underlying land values and continue to add to them.
- By including land that is currently kept idle, LVT encourages better use of land, particularly in towns and cities thus reducing the pressure for urban sprawl.
- By deterring land speculation and replacing bad taxes with LVT, investors will seek worthwhile investments especially where there are low land values because of high levels of unemployment and deprivation thus LVT will enable the redistribution of wealth on a regional and individual basis fairly and encourage more investment in worthwhile jobs, businesses and more affordable homes.
- By encouraging the use of urban brownfield sites LVT actively contributes towards protecting the rural environment and will rid communities of derelict sites and buildings that encourage anti-social behaviour.
- LVT therefore helps to protect green land and minimise urban sprawl.
- Unlike other taxes, it is impossible for people and businesses to evade or avoid paying their share of LVT. (Land owners cannot become tax exile by hiding their land in the Bahamas or other tax havens).
- LVT increases the funds available for public services, including public transport, health, education, leisure facilities, crime prevention, and social welfare.

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