

The Scottish government's recent programme for government included proposals for land reform. Please consider the impact these proposals might have on the sustainable management of land by communities and social enterprises, and the potential for developing a similar agenda for land reform in the rest of the UK.

Sustainability is embedded in a social and economic context, and so we must examine that framework with regard to land management. The rules surrounding land are inextricably linked to the distribution of wealth in society, and whether that wealth is distributed fairly among communities, or fosters growing inequality. In the UK, we currently suffer from the latter. There is undeniably a growing divide between rich and poor, young and old, north and south. In the south this most obviously manifests itself in a severe 'housing crisis'. Shelter reports that the average worker in England would need to more than double their salary to have kept up with rising property prices.¹ Meanwhile in Scotland, a new study from PSE UK (Poverty and Social Exclusion in the UK) revealed that the percentage of households falling below society's minimum standard of living has increased from 14% to 33% over the last 30 years, despite the size of the economy doubling.² Does that relate to the fact that Scotland has the most concentrated pattern of private land ownership in the developed world? As an indicator of how skewed the situation is, note that just 432 people own half of all the privately owned land in Scotland.³ How welcome then, that land reform is once again on the cards thanks to a Scotland which no longer wishes to continue this way.

Nicola Sturgeon, the Scottish First Minister, has announced plans to introduce a land reform bill consulting on proposals designed to achieve the aims of key recommendations from the Land Reform Review Group, whose final report was published in May 2014.⁴ Clearly, nothing is set in stone just yet, but we have an interesting opportunity to take a look at a nebulous array of policies being presented as Scotland wrestles with this matter. The Land Reform Review Group itself lists no less than sixty two recommendations in its report. These tackle a huge range of issues concerning every conceivable type of land use and ownership. We need to be sure of what we believe in if we are to sort the wheat from the chaff.

Journalist and campaigner, George Monbiot, provides a useful lesson here. To use his analogy, policies are like plants, and our values are the soil we have to grow them. The particular plant which will thrive depends on the climate of the time and the situation, but the nourishing soil remains constant. It means, in situations like this, we can ask, what is the ethical and moral value on which we are basing all our policy judgements? What is our soil made of, and what

¹ <http://www.thisismoney.co.uk/money/mortgageshome/article-2556594/Shelter-Average-earners-need-double-salary-track-rising-house-prices.html>

² <http://www.poverty.ac.uk/editorial/scottish-poverty-study-calls-governments-tackle-rising-deprivation>

³ <http://www.parliament.uk/documents/commons-committees/scottish-affairs/432-Land-Reform-Paper.pdf>

⁴ <http://www.scotland.gov.uk/About/Performance/programme-for-government/Programme-for-Government-2014-15/Land-Reform>

kind of life can grow in it? Only then can we examine various policies and decide what the likely impact will be on sustainable land use.

The principle then, which shifts the whole debate into focus is the question of who land value should rightly belong to. The value of land is derived from the services of nature as well as the services of society rather than the work of the landowner. Land which is better serviced commands a higher economic rental value than marginal land.

This principle is widely understood by the general public as the saying 'location location location' tells us. Above what is naturally available on the site, the land value is determined by what it is near to. Being in the catchment area of a good school, next to a beautiful woodland or park, in proximity to a new crossrail station or near to better employment opportunities raises land value. The activities of every one of us in the public and private sector and civil society go into creating this site premium on land. In light of that we can understand the value of land to be naturally occurring, and the site premium or location value to be socially created.

As the economist, Fred Harrison puts it, this means we currently do things the wrong way round. "We socialise our privately earned income (wages and salaries), while our social income (from land) is privatised." Because of this we have arrived at the absurd situation where money is confiscated from working people's private incomes as tax, and used to fund improvements to facilities, services and infrastructure which will hugely benefit private landowning individuals in the best locations. Aiming to own a location so that you can benefit from this rise in value that others have created is known as rent-seeking.

When rent seeking behaviour dominates, land is hoarded, underused, prices distorted, speculation leads to property led boom bust cycles, and ownership becomes concentrated; all at the expense of ideals relating to stewardship by communities, and environmental care.

Conversely, rent sharing values are those held which assert that land value, being part nature and part social creation, should not accrue to private individuals, but should be shared, as evident in commons based approaches, as well as organisations such as housing coops and community land trusts. In fiscal policy, the land value tax advocated amongst others by Churchill in 'the People's Budget' over one hundred years ago represents this value. It is the presence of the rent-sharing value which will determine whether policies enable land to be managed sustainably for social purposes and the benefits of the community, rather than lost to private interests.

The flagship policy from the report without doubt should be land value taxation. An LVT applied as an annual charge on *all* land assessed as a portion of the rental value of the site alone (not the buildings on it), used for optimal permitted use, minus any improvements (irrigation etc.), would be the single closest thing to an economic silver bullet possible. This would raise enough revenue to be applied in relief of other taxes, especially those that damage the productive economy and create deadweight losses such as income tax, national insurance and VAT. In a similar way to Adam Smith's 'invisible hand', LVT would create an 'invisible removal van', which would disincentivise owning more property than necessary, and reducing the artificially high prices caused by speculation, thus freeing up the potential for social enterprise and sustainable management.

It is startling how effective this policy could be, and if the potential was realised, could make many other aspects of the report redundant considerations. It is stated in the report that this

could be a substitute for council tax and business rates.⁵ This is indeed the case, and more besides. Stamp duty could be abolished. Stamp duty fails to take into account that the social value of land is always present and should be subject to a constant user charge, and the value does not only appear at the transaction point. This was the same flaw behind various well-meaning acts from past labour governments, which could not look beyond betterment levies, and trying to capture the speculative gains made by developers.⁶

There is a section addressing 'Local Community Land Rights'. This describes various community rights to buy and register interest. Most of these are palliative measures as opposed to a systemic treatment of land politics. Under LVT all land would *automatically* be held in the public interest by definition, as well as being redistributed effectively amongst communities. In essence, exclusive private use would only be granted for a location if the user or users pay a rent to the national community equal to the amount others would be willing to pay to benefit from its use. This would of course make idle land a liability which works to the advantage of communities who live on it and care for it, and against those who see land as an investment strategy.

The Scots, as people who had their original land colonised, are much more likely to be persuaded that land reform is a good idea. South of the border, we find the original colonisers, and the rent-seeking agenda is much more firmly entrenched. Chief economics commentator of the financial times, Martin Wolf, says "I do not expect any government to dare to wean the English from their ruinous trust in land speculation as the route to wealth."⁷ There is however, growing disenfranchisement with this system, especially amongst 'generation rent'. The expansion of the commons and community management of land assets needs to play a pivotal role in changing perceptions of who should benefit from the fruits of the land, and how this can lead to social, economic and environmental sustainability. With the power of the internet to communicate information, improved access to data, as well as obvious fault lines appearing with the status quo, there is no reason why the right thing cannot be heard.

(1463 words)

⁵ Land Reform Review Group, *The Land of Scotland and the Common Good*, 2014, p. 172.

⁶ http://www.labourland.org/downloads/papers/Vic_Blundell_DLT.pdf

⁷ Martin Wolf, *Why we must halt the land cycle*, Financial Times