

## FILLING KNOWLEDGE GAPS...

### INTRODUCTION

We are standing at a historic juncture. By adopting the 2030 Agenda for Sustainable Development in 2015, the global community has reaffirmed its commitment towards sustainable development. The New Urban Agenda (NUA), which is to be adopted by the UN Conference on Housing and Sustainable Urban Development (Habitat III or H3) in October 2016, calls for an urban paradigm shift “grounded in the integrated and indivisible dimensions of sustainable development: social, economic, and environmental” (United Nations 2016).

More specifically, it adopts three interlinked principles: 1) leaving no one behind; 2) sustainable and inclusive urban economies; and 3) environmental sustainability. This heightens once more the question of how to integrate these different dimensions, which has perplexed social scientists since at least 1980s. A key challenge in this regard is to identify ideas and tools that can deliver on all three fronts. Land value taxation (LVT), as popularised by Henry George’s book, *Progress and Poverty*, is a promising candidate in this light.

### THE MESSAGE OF GEORGE AND ITS RELEVANCE TO THE NUA

Addressing the question of why there is poverty amid advancing wealth, or material progress, George ([1879] 1935) laid the blame squarely at the doorstep of private ownership of land, under which progress (i.e. greater productive power) increases only the rent and value of land, not the return on labour and capital. His remedy was to make land common property. To implement this, he suggested that it is not necessary to confiscate land, but only to appropriate land rent through taxation for public use. These ideas underpin LVT or more broadly land value capture (LVC). Studies (Dye and England 2009) find that at least 25 countries currently use some form of LVT; within the United States, Pennsylvania and Hawaii have experimented with LVT, with 16 jurisdictions in Pennsylvania having split-rated systems. Thus the idea of George is very much alive, but unpopular.

### THE QUESTION OF LAND VALUE CAPTURE FROM H1 TO H3

In the Habitat arena, the attention accorded to LVT/LVC appears to have lessened since the first Habitat in 1976. In the 9-page Vancouver Declaration (United Nations, 1976), it is stated that “[T]he increase in the value of land as a result of public decision and investment should be recaptured for the benefit of society as a whole” (Clause 13). Land features prominently in that Declaration and its Action Plan. It represents one of the six themes and seven of the 64 recommendations in the Plan, with emphasis on public land ownership (see Table 1).

Where	What
Preamble	“Private land ownership is... a principal instrument of accumulation and concentration of wealth and therefore contributes to social injustice”
Preamble	“To exercise such control [over land use], public authorities... require suitable instruments for assessing the value of land and transferring to the community, inter alia through taxation, the unearned increment resulting from changes in use, or public investment or decisions, or due to the general growth of the community”
Recommendation D1	“Public ownership or effective control of land in the public interest is the single most important means of improving the capacity of human settlements”
Recommendation D3	“Taxation should... be seen... as a powerful tool to encourage development of desirable locations, to exercise a controlling effect on the land market and to distribute to the public at large the benefits of the unearned increase in land values”  “The unearned increment... must be subject to appropriate recapture by public bodies...”

Table 1. Reference to land value capture in *The Vancouver Action Plan*

This early prominence was later lost in the 115-page Istanbul Declaration on Human Settlements and the Habitat Agenda (United Nations, 1996) adopted at Habitat II. Despite significant attention paid to land-related issues, there was just one reference to LVC, which states that governments should “[C]onsider the adoption of innovative instruments that capture gains in land value and recover public investments” (p. 42). Ironically, the late 1990s and 2000s saw major development and experimentation in this area (Peterson 2009), especially in Latin America (Smolka 2013). Nevertheless, LVT is highlighted by UN-Habitat III Policy Paper 5 (Urban Finance): It is mentioned 11 times in the main text running over 44 pages. However, the latest (Surabaya) Draft of the NUA, appears to engage with LVC only at an instrumental - rather than principle - level (see Table 2).



# FOR SUSTAINABLE URBAN DEVELOPMENT

Where	What
Clause 133	<p>"...promote policy frameworks to capture and share the increase in land and property value generated as a result of urban development processes, infrastructure projects, and public investments"</p> <p>"...to prevent its solely private capture as well as land and real estate speculations"</p>
Clause 147	<p>"...[to support] capacity development programmes... focusing on the legal and economic foundations of value capture, including quantification, capturing, and distribution of land value increments"</p>

Table 2. Reference to LVC in Surabaya Draft New Urban Agenda


It would seem that, while land value taxation and land value capture has received increased support from researchers and public administrators in developing countries (Dye and England 2009; Smolka 2013), it has not gained greater influence in Habitat agendas.

### KNOWLEDGE GAPS TO BE FILLED

The authors in the volume edited by Dye and England (2009) addressed an array of questions regarding land value taxation. Their conclusion is the following:

*"[E]conomic theory and, to a lesser degree, empirical evidence support the claim that taxing land values instead of wages, profits, or capital values would improve economic performance and could improve people's lives."* (p. 10).

In addition to this notable conclusion it is also acknowledged that land value taxation reduces urban sprawl - and thus is good for the environment.

The remaining questions are then why - despite these positive features - land value taxation has not been more popular and what could be done to change this. These are surely two of the most significant knowledge gaps in implementing sustainable development. 

### A note from newly elected President of the IU David Triggs:

In March 2016 together with Duncan Pickard I attended the Habitat III Regional Meeting "European Habitat" in Prague and held a side event presentation entitled "Implementing Land Value Capture to Finance the SDGs and the Habitat Agenda" during which we met Dr Le-Yin Zhang - a co-leader of Habitat III Policy Unit 7 (Urban Economic Development Strategies). Dr Zhang was not particularly familiar with the works of Henry George at the time but immediately recognised much that was of value in the ideas that were discussed. We agreed to meet later in London where she is a senior lecturer and director of MSc Urban Economic Development at the Bartlett Development Planning Unit, University College London. Following our meeting in London in connection with the London 'Commons Rent for the Common Good' conference she invited me to be a co-investigator in a project she was proposing under the Global Challenge Research Fund (GCRF) through the UK's Economic & Social Research Council (ESRC). On reading her proposal I invited her to offer this article based upon it for this special edition of *Land&Liberty*. Dr. Li-Yin Zhang is the author of *Managing the City Economy: Challenges and Strategies in Developing Countries* (Routledge, 2015).

### Bibliography:

- Dye, R. F. and England, R. W. (2009) *Land Value Taxation: Theory, Evidence, and Practice*. Cambridge, Mass.: Lincoln Institute of Land Policy.
- George, H. ([1879] 1935) *Progress and Poverty: An inquiry into the cause of industrial depressions and of increase of want with increase of wealth. The Remedy*. Fiftieth Anniversary Edition. New York: Robert Schalkenbach Foundation.
- Peterson, G. E. (2009). *Unlocking Land Values to Finance Urban Infrastructure, Trends and Policy Options*, No.7, PPIAF. Washington, D.C: The World Bank.
- Smolka, M. O. (2013) *Implementing Value Capture in Latin America: Policies and Tools for Urban Development*. Policy Focus Report. Cambridge, Mass.: Lincoln Institute of Land Policy.
- United Nations (1976) *The Vancouver Declaration On Human Settlements*. From the report of Habitat: United Nations Conference on Human Settlements, Vancouver, Canada, 31 May to 11 June 1976.
- United Nations (1996) *Report of the United Nations Conference on Human Settlements (Habitat II) (Istanbul, 3-14 June 1996)*. A/Conf.165/14.
- United Nations (2016) *Habitat III: Draft New Urban Agenda* (28 July 2016). [http://citiscopes.org/sites/default/files/h3/Surabaya\\_Draft\\_New\\_Urban\\_Agenda-28\\_July\\_2016.pdf](http://citiscopes.org/sites/default/files/h3/Surabaya_Draft_New_Urban_Agenda-28_July_2016.pdf)