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The New Land Economy

A new approach to planning, development, conservation and infrastructure

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Synopsis

Nationalised in 1947, land-use planning suffers similar problems of resource allocation and efficiency to industries controlled by the state. Attempts at reform, such as the recent Scottish planning bill, may improve the process, but a market in planning rights is needed to find the right balance between conservation and development. Pricing the external effects of development also promises better ways to finance transport and other infrastructure. Various precedents in Scotland suggest a way forward. Development rights could be devolved to 'Local Amenity Companies', owned by resident shareholders. By establishing covenants and trading rights, LACs would encourage development whose economic advantages outweighed any environmental impact. They could also run local roads and amenities and co-operate to manage regional infrastructure or conservation.

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The New Land Economy

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Introduction

Land-use planning is one sector of our economic life barely touched by recent trends towards market liberalisation.

Yet it dominates vital aspects of economic decision making, especially investment in physical assets like housing, transport, industrial plant and commercial property.

We use it as a tool to find that elusive balance between preserving the beauty of our surroundings and the material imperative of economic growth.

But in Scotland, as in most developed countries, the tool is a bureaucratic one that employs methods of resource allocation and decision making utterly discredited in other fields of economic activity where competitive markets have proved superior.

Attempts at reform, such as the recently passed Planning (Scotland) Bill, focus on streamlining the bureaucratic *process* while leaving the basic state system unchanged[1].

As a result, planning is at the root of many of our most painful controversies – urban sprawl; development delays; the ugliness of municipal buildings; the placement and scale of transport infrastructure; building regulations; lack of affordable housing; wind farms; power lines; national parks and more.

Land-use planning is controlled by the state for understandable reasons and resolving these controversies is far from simple. An absence of rules would in many cases be even worse.

Instead, if we can find a way to price the impact of development, society could make decisions about land use more precisely and less controversially.

This could have major environmental and economic benefits, especially in rural areas where issues such as housing, transport, and the physical environment are particularly important. It also offers a solution to those perennial problems of how to finance

[1] Similar measures are proposed for England in the *Barker Report on Land Use Planning,* published by the Treasury this month.

infrastructure, from railways to post offices, that seem more valuable than the income they generate.

This paper begins by summarising the theoretical problems with state planning and how they might be resolved. It then explores how these ideas might be put into practice. The concepts are universal, but in Scotland a number of recent developments and historic precedents show that an alternative, market based approach is much closer to reality than might be supposed. A dynamic New Land Economy is within reach.

State land-use planning and its problems

Private property rights are regarded as a central pillar of Western society. They are widely held to be a crucial ingredient of the capitalist system, which allows us the freedom to trade, borrow and invest[2]. They act as an important guardian of our freedom to live our lives as we choose.

But in truth there are several layers of property rights, some of which are not freely held by owners. This paper is concerned with the rights to use and develop land, which in Scotland, like most developed countries, have been nationalised and are controlled by the state.

Why and how is the state involved?

This paper is not concerned with the details of the planning system[3]. In essence, in Britain property owners wishing to develop their land or buildings, or use them differently, must apply to a local planning authority for permission to do so.

The local authority assesses the application with reference to a regional development plan it has devised in conjunction with central government. The plan is designed to encourage and allow economic development while taking environmental and social considerations into account. Various environmental and heritage quangos also play a part, and there are provisions for the input of local people as well[4].

The existence of these rules is justified by the fact that land use affects others aside from the landowner.

[2] The absence of secure private property rights is often diagnosed as the main reason for underdeveloped countries' failure to establish consistent economic growth. See, for example, *The Mystery of Capital* by Hernando de Soto.
[3] The basic legislation in the UK is the 1947 Town and Country Planning Act, with a number of subsequent additions, including the latest Planning Bill passed just last month by the Scottish Parliament.
[4] First introduced in the 1971 act and enhanced in the recent Scottish Bill.

A man building a factory in his back garden would affect the welfare of his neighbours. Building a motorway has an economic and environmental impact that goes well beyond - sometimes hundreds of miles beyond – the immediate sliver of land that it occupies.

An absence of rules can lead to damaging development which does not take into account these 'externalities[5]' – a situation that exists in some other countries[6].

Problems with state intervention

This approach is prone to problems of political decision making and resource allocation common to most government interventions:

1. Government lacks sufficient knowledge to judge the relative merits of different uses for land. Which is worth more, the beautiful view of the glen or a hospital built there? It can only rely on informed guesswork to make decisions like this.

2. Government lacks sufficient incentive to get its decisions right. The only penalty it pays is punishment by the electorate at the polls. But elections are infrequent and planning decisions only one amongst a plethora of issues upon which citizens pass their verdicts. A government could get every planning decision wrong but still win the election for winning a distant war, for example.

3. Campaigning lobby groups frequently attempt to exploit the distance between government and the electorate and influence decision making on planning. They can have a powerful impact depending more on their public relations talents and financial resources than the merits of their case. These groups are evident on either side of the debate; environmental pressure groups or well-heeled local residential societies often succeed in blocking development. Big business with the ear of government can push it through[7]. The poor and inarticulate tend to come out worse from the planning process.

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[5] Economic activity often has external effects, negative or positive, which are hard to capture through an income or cost stream. This is called an 'externality' by economists. In such cases the market will undersupply positive externalities, such as beautiful views, because it cannot extract value from them. Similarly it might oversupply negative externalities, such as pollution, because it does not pay the full costs of them.

[6] A lack of rules can lead to development which destroys more environmental value than the financial value of the returns it generates, an accusation often made of tourist developments in the Mediterranean, for example.

[7] Or oppose development which might benefit potential rival market entrants. Retailers, for example, have a stake in preventing new retail sites from being developed. Studies show

4. In a competitive market, operators are continuously driven by consumer and investor preferences to discover new ways of delivering and developing goods and services and improving productivity. State decision making does not benefit from such a dynamic 'discovery process[8]'. This results in a dearth of experimentation and imagination in development. It also leads to an inefficient and slow process of decision making – a major complaint of businesses and individuals involved in development – as well as inflexibility in the rules governing planning. A typical complaint is how green belts – established decades ago – often encompass brownfield sites that should now be ripe for housing development. They force people to live either in new towns or city centres far from their places of work which, through the lobbying of major companies, are often located in those same green belts. Meanwhile, the bureaucracy involved with the planning process grows continually. In 1992 (the latest figures) it cost ₤1.2 billion UK wide[9].

5. Land-use development has costs or benefits for neighbours and implicitly the inverse for developers. A land-use planning decision is often an all-or-nothing event, therefore. If it goes in favour of the factory builder, he receives not only the economic benefit of the factory, but does not pay for the externalities he creates. These costs are instead borne by his neighbours, sometimes in monetary terms manifested in a reduction in the value of their property. Victory for the neighbours yields inverse benefits and considerable costs in terms of lost time and opportunity for the developer. This can lead to ferocious and costly legal and political battles with the loser damaged and embittered.

6. Government is in a strong position to circumvent its own planning rules either through specialist knowledge of the procedures, or appeal to higher 'social' imperatives that provide an excuse for ignoring the rules. This has lead to sub- standard municipal building in the post war period.

These problems should be familiar to anyone who has examined, for example, the economy of the Soviet Union, or other public sector monopolies in the UK such as the health service.

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that the main reason for higher grocery prices in the UK are higher land costs and smaller stores. See *Trouble in Store*, by T Burke & J Shackleton, Institute of Economic Affairs 1996.

[8] Discussed notably by the economist FA Hayek, for example in *Competition as a Discovery Procedure*, in *New Studies In Politics, Economics And The History Of Ideas*, Routledge London 1978.

[9] Up from ₤160 million in 1962 (1990 prices). In 1992 the published figures were merged with other items in the *Annual Abstract of Statistics* (Office of National Statistics). The authors have been unable to find a stand alone equivalent, but it must be well in excess of ₤2 billion by now.

In the same way that the Soviet government had no real idea how many shoes to produce, and made poor quality ones that nobody wanted, so our government continuously misallocates land for the wrong uses.

It is true that there have been numerous attempts at reform, not least the recent Planning Bill, passed by the Scottish Parliament last month. This has been welcomed in some quarters because it promises to make the bureaucratic process swifter and more decisive. It also promises more certainty for developers by introducing a long term 'National Planning Framework' and insisting that local plans are updated regularly[10]. However this, like other reform attempts, largely concerned itself with making the process more efficient. None of this helps the intrinsic lack of knowledge at the heart of economic decisions made by the state.

Liberating the Land[11] – a theoretical approach

In theory, applying market mechanisms to land-use planning decisions would solve many of these problems, as it does in other areas of the economy.

Market processes as a solution

As the economist Ronald Coase suggested[12], establishing private property rights over development which could be traded would establish a way to price the relative merits of different types of land use in different areas. This would direct development automatically in the right direction. The knowledge problem (see problem 1 above) that afflicts the bureaucratic process could be overcome.

The laws of supply and demand would come into play. Increasing industrial development, for example, would push the value of development rights in unspoilt country upwards until it outweighed the returns from development. This price information would supply much more efficient incentives than the electoral process and its concomitant lobbying (problems 2 & 3).

Prices change constantly according to changing circumstances. The relative merits of different types of development (or absence of

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[10] It also allows certain types of development to be allowed automatically and quicker processes for local, small scale decisions. The bill is published in full on the Scottish Parliament's web site www.scottish.parliament.uk/business/bills/51-planning/index.htm

[11] *Liberating the Land* (Institute of Economic Affairs 2002) is the title of the book by Mark Pennington which forms the basis for most of the ideas in this paper.

[12] Professor Emeritus of Economics at the University of Chicago Law School, he received the Alfred Nobel Memorial Prize in Economic Sciences in 1991. He addressed this issue in *The Problem of Social Cost.*

it) would do so as well, much more flexibly than any government five year plan (problem 4).

Moreover, **creating a market in environmental beauty** like this would trigger a discovery process (problem 4). Developers would have an incentive to discover ways of building industrial plant, housing or transport infrastructure in a way that minimised damage to, or even augmented the physical environment. Doing so would reduce the cost of development rights because neighbours would be less affected by development. **Such a process could be a tool of considerable power in beautifying our landscape and urban areas.**

The discovery process would apply to institutions and regulations too. The *process* of assessing development should be subject to experimentation, competition and improvement.

Importantly, this market in beauty would leave no all-or-nothing losers (problem 5). Neighbours to a development would be paid compensation according to their own valuation of the damage done. As in any market exchange, both sides would have the potential to improve their lot.

Finally, government would not be in a position to circumvent the rules (problem 6). It would simply have to act as another market player.

But where's the market? How do we trade?

Such restatement of the potential benefits of the market should be uncontroversial. All institutions are prone to human frailty, so no market works perfectly. But most economists would recognise these theoretical advantages. It is worth restating them in the context of land-use planning to help us envisage the prize on offer if we can create such a 'market in beauty' – **much more efficient infrastructure development and a beautified Scotland.**

The problem is of course that it is hard to envisage how a market of this kind might work in practice. How could a developer compensate the myriad individuals, families and institutions for the externalities he creates? Trading development or land-use rights with all those affected would seem impossibly complicated. How to define who owns such rights? How to negotiate with so many in a cost effective way? And how to resolve the inevitable disputes that would arise?

At face value this would seem to be a classic case of 'market failure'. Economists often define environmental assets such as scenic beauty as a collective good. Because it is impossible to charge for its use, a free market undersupplies it (or oversupplies pollution). Hence the need for government intervention in the form of planning regulations.

However, there are already certain situations where such externalities as environmental beauty are 'internalised' better by private institutions than by the state. Effectively, sufficient value is ascribed to beauty to obviate the need for much government intervention.

For example, owners of big estates largely affect only themselves with development. They therefore have incentives to set development rules that are designed to maximise both environmental *and* economic potential. The value of their land depends on both.

Similarly, voluntary associations such as residents' clubs or condominiums can acquire development rights. By clubbing together, members avoid the problem of multiple agents while maintaining their independence through ease of leaving the club. Instead of being citizens of a state over which they had very limited and occasional powers, they are like shareholders of a company – subject to day-to-day decision making by directors but able to exercise direct control if necessary, or to leave if they really become dissatisfied. Importantly, like the estate owner, they have a direct financial incentive for development rules set by the club to maximise environmental as well as economic value.

Implications for infrastructure, transport and service provision

By owning development rights, such entities potentially also control the development and operation of local communal infrastructure such as roads and streets, rubbish collection, parks and other open land.

Furthermore, they can potentially encourage wider infrastructure in their area, for example regional transport schemes, or services such as schools, post offices or even certain types of retail.

As with environmental amenity, these developments with *positive* externalities could partly be paid for by local people in the exact inverse of the way that they receive compensation for development with negative externalities.

This offers hope that the problems of how to finance infrastructure – whether railway lines or post offices – that has external benefits which are hard to capture through day to day sales, could be solved without the need for (and uncertainties of) tax funded subsidy[13].

In short, control over development rights influences all manner of large, physical investment. This power, currently vested in local or national government, could be returned to groups of people using pricing information to make these important economic decisions.

Not that far away

Interestingly, Scotland is host to a number of precedents, old and new, which show that this 'Coasian' concept is far from inconceivable. Indeed in some ways it is quite close to being implemented. Lessons can also be learned from some of Scotland's neighbours.

- The principle of paying local people compensation for development is becoming well established in Scotland. Under 'Section 75' agreements local councils arrange for developers to provide infrastructure or services in exchange for development rights. While these are sometimes well received, the problem remains that payment is usually in the form of facilities that do not benefit everyone. They are also negotiated by the council, which represents a geographical area far wider than that affected by the development, and therefore is not properly accountable to those affected. The compensation therefore appears more like a tax on the developer, a problem shared by projects such as congestion charging and attempts at 'land value capture' (see below).

- The recent Barker report on planning reform in England proposes direct compensation to neighbours by developers on small scale projects which, if accepted, would allow formal planning procedures to be bypassed.

- In Scotland, much smaller units of local government are acquiring influence. There are 1,200 community councils in Scotland, sometimes representing only a few dozen people. Established in 1973 these are designed to represent local opinion to government. They have a consultative role in the planning process and can also undertake local projects to maintain and

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[13] Subsidising such infrastructure from national tax funds is fraught with economic inexactitudes, as the current controversies over the Borders rail link or the rural post office subsidy show. The example of the Jubilee line extension in London shows the potential for harnessing the external benefits of transport development as an alternative means of funding it. The line cost £3.5bn in public funds to build, but generated £13bn in external economic benefits, as measured by the increase in neighbouring property values. See *Out of the Sidings*, Policy Institute 2005.

enhance amenities such as footpaths or public gardens. Officers are elected volunteers[14].

- Meanwhile estate buy-outs by local communities under Land Reform legislation have established wide powers for local people over estate management. The example of buy-outs such as on the island of Gigha seems to show that local decision-making encourages innovation and economic growth[15]. The Gigha estate is run by the Isle of Gigha Heritage Trust, a charitable company owned by members (those registered locally on the electoral roll). These elect a board of directors which appoints management. The trust has a trading arm and is able to take out commercial loans, though it does not return profits to members.

- Local government 'communes' in Scandinavia, France and elsewhere are of a similar size and have considerable land-use powers. Government at this scale can share similar attributes to voluntary action, because as well as the threat of regular elections, officials are subject to social pressures from their neighbours to represent local opinion and behave frugally.

- Before the state acquired land-use planning rights, they were held by private land owners. Estates controlled tenants' land use through covenants (which in some areas are still in place). They were responsible for the exceptional urban development in 18th and 19th Century Scotland such as Edinburgh's New Town. Developers were forced to subscribe to locally set aesthetic standards. Estates were also prepared to contribute to railways that improved communications in their area.

- This is mirrored in institutions such as shopping malls, where a landlord sets certain rules for his 'tenants' (the retail outlets) as well as overall management rules on the local 'infrastructure' of the mall. He must compete with other locations to attract tenants and visitors, balancing their competing (cost and amenity) and complementary (trading) interests.

- One interesting aspect of the recent Scottish planning bill is the establishment of 'Business Improvement Districts'. These city centre management companies, modelled on developments now common in the US, allow businesses to co-operate to invest in local infrastructure improvements.

- Road pricing schemes in cities like London and Singapore demonstrate the feasibility of locally managed transport income

[14] For more detail on community councils, see the Association of Scottish Community Councils web site at www.ascc.org.uk.
[15] Gigha's population has expanded by 50% since the buyout. See www.gigha.org.uk.

streams. However, in Edinburgh proposals to establish such a scheme were rejected because they were seen as an extra tax imposed by the local authority, instead of a means of operating an asset in a way that would benefit local people directly.

- Examples of land value capture and local business taxes to fund transport schemes[16] show that the principle of local people paying for development (albeit via the medium of taxation) that has *positive* externalities is also established. However, as with section 75 agreements and congestion charges, this is administered at a local authority level, and is resented as 'just another tax'.

Practical application

How can we amalgamate the lessons of some of these precedents with the Coasian ideal to establish a workable system which introduces a market for land development rights?

What seems clear is that while the principle of compensation for development is established, arrangements are negotiated at the wrong level. Local authorities in Scotland are generally too geographically and demographically large, and therefore too remote to be properly accountable to residents when making financial arrangements such as compensation payments, road charging or land value capture.

This is not to say that regional decision making is never appropriate, just that it should be done as a voluntary, bottom up association, rather than a top down imposition.

Community councils and community trusts show that in Scotland – as in neighbouring countries - much smaller groupings are being trusted successfully with power and responsibility over local economic matters.

In places like Gigha there is considerable informal overlap between the community council and the directors of the community trust. While neither has formal planning powers, they have considerable influence over the planning process as it relates to their island.

These precedents suggest a way forward to introducing market forces into the planning process.

Imagine a patchwork of small 'Local Amenity Companies' (LACs)[17], evolved from the best of the characteristics of community councils,

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[16] The Edinburgh tram scheme is to be part funded by taxes on local development projects.
[17] Based originally on a concept developed in the context of Oregon, USA by Moscowitz and O'Toole in *New Incentives for Rural Communities,* Thoreau Institute, Portland, USA.

community trusts and local authorities, with additional flexibility and accountability included. Each would hold land-use development rights in its own geographic area. LACs would have a number of attributes.

- They would be constituted like a company, with annual general meetings where resident / shareholders could hold the executive to account, replacing it if necessary[18]. Their small size would maximise competition between LACs, deterring them against riding rough-shod over individual residents' wishes - it would be much easier for people to move to a similar area than with current local authorities, and easier to remove incompetent executives. They would also compete on providing efficient *process* by which development decisions were made. The quickest, least costly decision making process would attract higher development fees.

- They could establish covenants – local rules encouraging certain standards for building and development. Since shareholder / residents would be directly affected by these rules, they would be designed to enhance the value of local property by finding the right balance between aesthetics and flexibility.

- They would be free to trade development rights. For example they could grant development rights for a new industrial unit for a fee. The fee would be negotiated according to the environmental impact (i.e. the negative externalities) of the new plant and its subsequent consequences for residents. LACs would compete with each other for development, so long as its economic benefit outweighed its environmental impact. Development would thus be encouraged to a) be as environmentally sensitive as possible in itself, and b) be located in the least environmentally sensitive area.

- LACs could also *pay* to attract certain types of development that had *positive* externalities. For example, they might invest in a new rail line that had a station in the area. The system of LACs could therefore solve the perennially difficult questions of where and to what extent government should subsidise transport[19] and other infrastructure. So LACs could also pay for other infrastructure or assets that had positive externalities. A topical example is the network of post offices, but LACs might also intervene to subsidise schools, libraries, medical facilities or even certain types of shop.

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[18] Exactly how voting rights would be distributed could be left to experimentation. The preference of the authors would be to relate it to the size or value of the property held. Community buyouts equate membership with the electoral roll, which seems to work adequately in places such as Gigha.

[19] The Policy Institute published a paper on transport policy (Out of the Sidings, October 2005) which examined this aspect of the idea and discussed the concept of LACs.

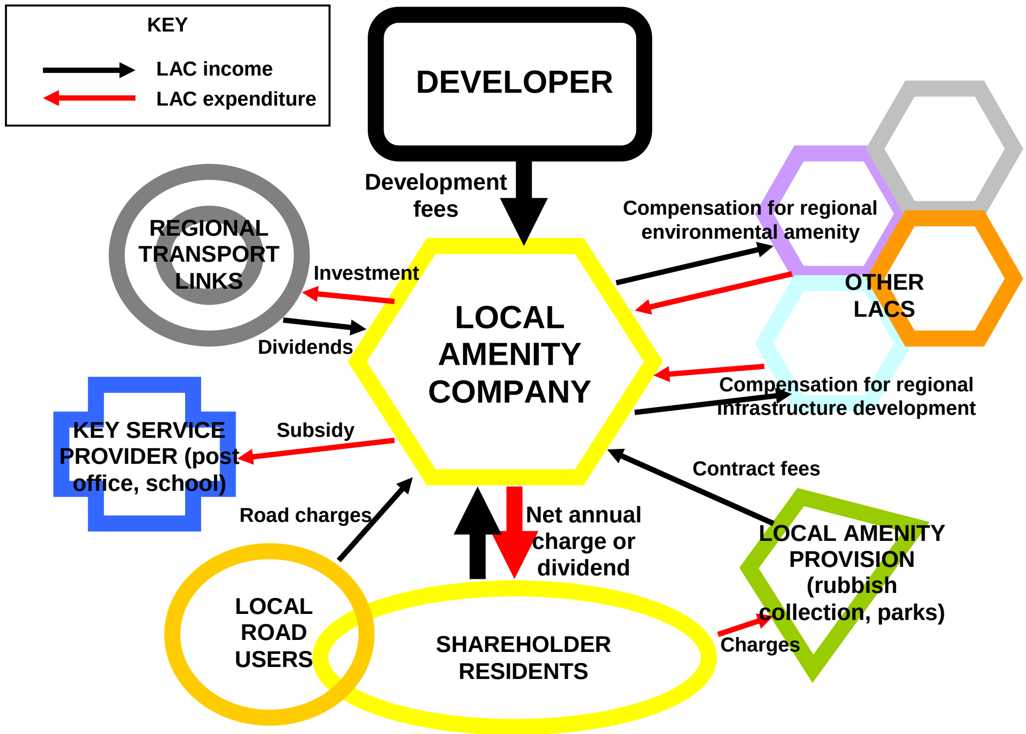
- On a regional level LACs could co-operate to deal with large scale developments or environmental amenity. So they could pay each other to encourage nearby development or lack of it. For example, a LAC that contained a national park might be paid by distant LACs for whom the pleasure of access to the national park outweighed the local costs of restricting development in it. Alternatively, a LAC might be paid by surrounding LACs to accept an airport that would have damaging externalities locally, but positive ones regionally. LACs could combine in voluntary federations to deal with large scale land use questions of this kind.

- LACs could operate local roads, charging for their use where appropriate. This would encourage efficient road use, construction and operation – LACs would be competing for custom in this field. They could also run (or commission) other local amenities such as parks or rubbish collection.

- LACs would return net fees to (or collect net contributions from) resident shareholders in the form of annual dividends. Local people would thus have a financial incentive to encourage sensible development that either enhanced the value of their property and surroundings or provided their LAC with income, countering any 'nimbyist' tendencies (see box below).

- The boundaries of LACs need not be fixed in stone. Some initial assessment of what constituted a 'natural community' might be required. However, we cannot be sure to get it right first time, as the huge variation in the size of units of local government, and the changes that have occurred to them over the years, implies. So LACs would be free to amalgamate or change their geographic boundaries after a discovery process of experimentation. A natural balance would arise between the representative benefits of small size versus the economies of scale of larger size.

In effect, Local Amenity Companies would replace most of the functions of local government with processes that were **far more democratically accountable and responsive to economic and environmental needs**. The following illustration shows the various financial relationships a typical LAC might develop.



The central relationship is between developers, the LAC and its resident shareholders. But the vehicle also allows local people to encourage local and regional developments that have positive externalities otherwise hard to capture, such as transport links (from which they could make a return on their investment) and local services. LACs could also co-operate financially to find the right balance of regional development.

Financial implications

How much would these new arrangements cost to those involved? Overall, the system would result in **net benefits to the economy**, deriving from the competitive process which should generate both lower process costs and higher environmental amenity.

<u>Developers</u> would pay, on average, rather less than they do now. Effectively, development fees would replace the premium currently attached to land with planning permission. This varies (as would development fees) widely according to proposed use and location. By way of example, agricultural land in the Borders costing between £2,000 to £4,000 per acre can rise in value twenty five fold if it gets planning permission for housing[20]. Overall, however, development fees would be lower than this premium because of the competitive processes described above, and the flexibility in the

[20] Based on informal conversations with three Scottish estate agents. The multiple in more densely populated areas can be much higher still.

system which would respond, for example, to the obvious need for affordable housing in certain areas.

Those landowners who benefit from 'planning uplift' - the big rise in land value deriving from the granting of planning permission – would lose out. Since such rises are widely resented, and appear to be in the government's sights by means of a 'planning gain supplement', it is moot how much longer this windfall will remain. With the LAC system described here, these gains would be diffused among all local landowners affected by the development.

Local taxpayers would face a complex picture. They would benefit from receiving development fees via their LAC, local road charges and other dividends. However, they would contribute towards any local infrastructure or environmental amenity from which they benefited. However this would, on average, be more than outweighed by lower national taxes to pay for transport and other infrastructure subsidies. Essentially those who gained economically from infrastructure development would pay for it, with the competitive market forces this implied leading to overall efficiencies.

Too small, too local?

Objections to devolving marketable development rights to local people often focus on the small size of Local Amenity Companies.

One is that these institutions would be prone to local social tensions that seem to exist in some areas, for example between incomers and natives in the Highlands and Islands, or landowners and their neighbours. Local people might seek to impose unreasonable restrictions or types of development that would antagonise a minority. Some community councils do indeed appear to have acquired a reputation for nimbyism.

The first point to remember is that property owners would not be ceding any new rights under these proposals. Instead, development rights now held (and widely abused) at a distant local or national level would be devolved to institutions over which they had much more influence. Secondly, the small size of LACs would encourage more competition by example, and allow easier exit than from current local authorities. Thirdly, residents would be financially affected by the decisions they made. This would give them a powerful incentive (that does not exist with current community councils) to behave in a way that enhanced economic opportunity.

A second concern is that LACs would be unsuited to cope with 'strategic' infrastructure or conservation issues, which require decision making at a national or regional level. It is always difficult to predict exactly how market reforms of the kind proposed here would work in practice, because markets necessarily involve freedom of behaviour by numerous agents. But LACs would be free to co-operate by establishing federations to cope with such matters on an ad hoc or semi-permanent basis.

It is very noticeable to students of the current state planning system that reformers are forever veering between centralising power and diffusing it. The beauty of a 'bottom up' approach as proposed here is that it would encourage 'horses for courses'. Solutions to these strategic problems could evolve over time and adjust to changing circumstances.

How to start the process

This paper does not suggest that the Scottish Executive rip up its recent planning bill (which contains some useful remedies for the bureaucratic process of current planning arrangements) and start again.

Moving to a market system in land development is not going to happen overnight.

However, as we have discussed, there are some promising developments already underway which could be built upon.

A first step might be to grant local authority style powers over planning, local roads, rubbish collection and common areas to island or mainland communities that have bought out the estates they live in. These powers could quickly be extended to other small rural communities – islands and areas with active community councils - that might prove suitable foundations for LACs.

This would allow experimentation in governance and process to begin in areas where such powers could make a big difference economically, while avoiding for the time being the complications of co-operating over large infrastructure projects.

After a period where governance issues were settled and the concept allowed to bed in and flourish, LACs could be extended to a larger area, perhaps where problems with the current planning system are most acute[21], so that the process of competition and collaboration between LACs could be tested.

The New Land Economy would begin to take shape.

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[21] Informal suggestions from reviewers of this paper proposed West Lothian as an area with particular problems of housing shortage and infrastructure development.