

PRACTICAL POLITICS

July 2008

Issue No. 167

11 YEARS ON

The following piece is reproduced from our Issue No. 71 (June 1997).

“Last month’s General Election changed the Government, but little else. In the forthcoming budget we are promised a windfall tax to benefit the youthful unemployed. Let us be clear that this creates no jobs. The tax money coming from privatised utilities would not have been left down the sides of company sofas. It would have been spent by the companies themselves or distributed to their shareholders or placed in banks to be reissued as loans. One way or another, the wealth the windfall tax represents would have made its way in to the general economy – and without a commission charge to sustain government bureaucracy. So, some work is to be lost in order that the money may go on training unemployed youths. Put like that, it is no big deal.

This windfall tax is justified by no principle except that the government is sure it needs money and has seen where there is some. As for job training, there is no coherent policy. Government has itself erected formidable barriers to employment. Businesses must first buy employees off their welfare benefits and then make it worth their while to accept work. It is takehome pay that matters here. Yet work and jobs are routinely subjected to discouragement by taxation. Even the eminently employable are left on the scrap heap.

A windfall is a fruit that drops from a tree in a wind. As Newton demonstrated, it drops according to a natural law of physics. Would government legislate to repeal the law of gravity or to have plant stems grow downwards and the roots upwards? Only in economics, it seems, are natural laws persistently flouted. There can be no surprise that deprivation exists amidst plenty and social disorders constantly threaten.

There is a natural, logical, selfconsistent, principled way of conducting our affairs. This publication is dedicated to showing that public collection of the location value of land, with corresponding relief of taxes on production, on goods, on services, on trade, on spending, and on saving, would (inter alia) expand employment opportunities, reward effort and enterprise, and reduce dependence on state welfare.”

“POVERTY” IN THE CONTEMPORARY POLITICAL LEXICON

Presumably because eliminating poverty has been proving too difficult for the political classes, the word is now being reparcelled and paraded as “child poverty” or “fuel poverty” and the like. This is to trivialise the problem, which is, quite simply, that, although some people doubtless are poor but apparently unwilling to help themselves, others really are poor (no “if”, “but”, “child” or “fuel” about it) and really are entrapped and in need of rescue and help. However, further government intervention such as in the energy markets (as some are urging) will, given the number of those markets and the diversity of the participants within them, inevitably produce unintended and harmful consequences. Have we forgotten the government raid on the pension funds, the fallout from which will last for years? Dealing with poverty requires vision – but, once the solution is grasped, action can follow quickly and results will flow fast. Markets can not – and do not – deliver fully or fairly if policy is conducted as if there were no distinction between Land and Capital: the two differ both in kind and in their economic rôle.

THE FORTUNES OF TWO FOOTBALL CLUB OWNERS

“Paul Davidson, the entrepreneur known as The Plumber, has agreed to buy the Spanish football club Real Mallorca for an undisclosed sum, thought to be well in excess of £50m” (Jonathan Russell, “Daily Telegraph”, 22nd. July). “Mr Davidson...admitted...he knew almost nothing about football” but “The club, which finished seventh last year in Spain’s premier league, owns large tracts of land in and around Palma, including its old stadium and current training ground.”

Meanwhile, back in England, Mohamed Fayed, whose claims to fame include ownership of Fulham F.C., has struck oil. Through one of his companies, Bocardo, based in Liechtenstein, Mr Fayed brought an action for trespass against Star Energy, “a Britishbased onshore oil producer...and was awarded a share in the proceeds of three wells that produce oil 800ft below his land” on his estate at Oxted, Surrey (John Bingham, “Daily Telegraph”, 25th. July). Star had drilled the wells from its own site, “passing diagonally under Mr Fayed’s land to extract oil and gas.” The award was for a “nine per cent share in the £7million that the...oilfield has yielded since 2000 and the same proportion of all future income”. The yield has now slowed to 2,000 barrels a month – no fortune, but still useful pocket money. As matters stand, the award was correct, but this means that the principles of ethics and economics were inevitably ignored (and will remain so until the law is changed). The value of the oil under the ground is public; only the additional value once it has been brought to the surface is legitimately private. The value of the land (of which minerals at and below the surface are a part) is all rightly public, and should be collected to replace existing taxes.

THE WAY WE DRIFT NOW

(i) A RICS survey has noted that recent steep increases in the cost of fuel and animal feed have “rendered many smaller marginal farms unprofitable” (David Litterick, “Daily Telegraph”, 28th. July), but still manages to observe that now is “one of the best economic climates for farmers in many years”. As always, it is the owner of agricultural land (provided, as it now appears, that it is not marginal land!) who is the ultimate beneficiary, not the tenant, not the prospective new entrant, and definitely not the farm labourer. “Arable land rose in value by 32pc to £14,453 per hectare in the first half of this year, while pasture land increased by 16pc to an average £11,477 per hectare” [1 hectare = 2.471 acres].

(ii) “Until house prices find a floor, the credit system and the wider economy will continue to flounder. It may just be better to get there sooner rather than later” (David Wighton, “The Times”, 4th. July). Of course it is primarily the price of housing land, not that of the actual house structure, that is falling. Land speculation is the root cause of the problem, and land prices must be shorn of their huge speculative element and return to reality before the battered economy can start to recover. Sadly, experience indicates that lessons will not be learned, and the sorry cycle will be set in motion again.

(iii) “Alarming, as the economy has slowed, growth in income and corporation tax revenues has stalled and valueadded receipts are shrinking fast. Spending beyond its means...the government has pushed up net debt as a percentage of gross domestic product to 38 per cent...At the same time, the Treasury is reassessing its fiscal framework – that is, the internal rules on spending and taxation. The cynical minded think this simply means that the government is desperate to borrow more now that times are tougher, without having to resort to raising taxes” (Lex column, “Financial Times”, 19th. July). “Increased borrowing today means higher taxes tomorrow.” Well, it might do, and perhaps it should do, because borrowing on the money market implies both paying interest and subsequently redeeming the loan. Governments, however, have a history of avoiding that pain, by, sooner or later, simply printing and spending into circulation quantities of unbacked paper currency – pure, naked inflation (as described in our Issue No. 157).

Monetary inflation reduces the purchasing power of all currency previously in circulation. It transfers value from the citizenry to Government. In upsetting the balance between goods and money in the economy, it acts just like a tax, and a bad, indiscriminate tax into the bargain.

Yes, they really do tax money too!

BOOM TOWN

The next boom town will be Tirana, capital of Albania: attractions include no SDLT, no CGT, no IHT, and the arrival of international corporations to take advantage of its central location as a distribution hub in the Mediterranean (fullpage advertisement, "Sunday Express", 8th. June).

PROSPECTS AND PERSPECTIVE

There is rising awareness of the determining importance of the factor, Land, in the workings of the economy. This now goes beyond merely recalling that Land is not manmade but is the free gift of Mother Nature, and noticing how political, economic, and social decisions are reflected in land values. Instead, it is becoming increasingly clear that Land Value is called into being by, is sustained by, and will depend in future on, the collective actions of the whole community as expressed in the demand for living, working, and recreational space. This awareness is spreading from the business and professional classes to commentators, journalists, and other observers. It is now percolating through to the political classes, the political parties, the thinktanks, and academics. This will take time, and effort, because contemporary preference is to reshape the same old kaleidoscope, change the terminology, select a new logo, and hope that failure does not repeat itself until after the next set of elections. In our way, we are sorry for those who think they are not going to fail next time: but our deeper regard is for the poor apolitical British public, whose only recourse seems to be to ridicule its masters – or just to ignore them. It can, of course, lead to loss of social cohesion and to a dysfunctional society.

RIGHTS AND PROMISES

"All property ought to be the reward of industry; all industry ought to be secure of its full reward; the exorbitant right of the landholders subverts both these maxims of good policy" (William Ogilvie of Pittensear, "Birthright In Land", 1782). Our contemporary politicians do not literally promise us the earth, but in fact the Earth is about the only thing they should be promising! It is, after all, ours, and we should like to have it back.

Published by the Land Value Taxation Campaign,
54, Woodway, Hutton, Brentwood, Essex, CM13 2JR,
and distributed free to selected members of both Houses of Parliament, of the European Parliament,
of the Scottish Parliament, the National Assembly for Wales, and the Northern Ireland Assembly.

Internet <http://www.landvaluetax.org>