PRACTICAL POLITICS

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THE POUND IN OUR POCKETS

Until comparatively recently, it was accepted that inflation was a purely monetary phenomenon. It occurred when the amount of notes and coins in circulation was increased disproportionately to the growth of the economy, leading to currency debasement and a general rise in the cost of living. Note those words, "*general* rise": in popular parlance, inflation was "too much money chasing too few goods", with the result that money lost some of its value and did not "go so far".

Certainly *particular* factors do affect *individual* price movements – one thinks, for instance, of good and poor harvests; of producer-determined actions to affect the supply of commodities such as natural gas and crude oil; of protectionist measures to block imports; of movements in the exchange rates of internationally traded currencies; of governmental imposition of taxes (as on insurance premia) or variations in tax rates (council tax).

Sadly, these days the language of economics has itself undergone debasement, and all factors contributing to price rises are, more often than not, lumped together as inflationary. The solution to true monetary inflation is self-evidently to stop the printing and circulation of unbacked paper currency. Connivance in corruption of the language intentionally obscures this. Inflation is not an accidental misfortune: it is a *deliberate* policy, *consciously* pursued.

Government has bills to pay – the armed forces, civil service, suppliers and contractors, welfare, foreign entities (the UN, the EU), interest on the National Debt, and much else. Government has some direct income and some from charges for services, but the bulk stems from collection of taxes, and from borrowings on the money market (gilts). If all else fails, or interest rates are deemed too high, the Treasury simply gets the Bank of England to issue new notes (it costs about 3p to make a £50 banknote), which Government spends into circulation to meet its commitments. This new money is the "too much money" that is sent off to chase what have now become the "too few goods". The banks now can, and do, extend more credit. Prices rise – *all* prices, not just those of a basket of targeted goods. Government takes real value out of the economy, but only paper goes back in.

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 in this way, it acts just like a tax, and a bad, indiscriminate tax into the bargain. Yes, they tax money now too!

Footnote:– "Money supply has grown twice as fast as nominal gross domestic product over the past two years" (leading article, "Financial Times", 12th. May).

A TRUE LAND VALUE TAX

The May issue of the R.I.C.S. Journal, "Land", carries a two-page article by Dr. Frances Plimmer, Research Professor at the School of Surveying at Kingston University. The Government is presumed to be contemplating introduction of a "modest" planning gain supplement, to attempt capturing a part of the increase in land value when planning consent is granted. Dr. Plimmer reviews earlier similar attempts – charges arising from the Town and Country Planning Act, 1947, from the Land Commission Act, 1967, and from the Community Land Act, 1975, and the Development Land Tax Act, 1976. All were abandoned. Still with us is the Section 106 machinery from the Town and Country Planning Act, 1990. "A betterment tax is not a proper land value tax", she argues. "A proper land value tax would be an annual tax on the value of land – all land, based on its highest and best use according to the existing planning régime." References are made to the property taxes currently deployed to raise local government revenue (the national non-domestic rate (UBR) and the council tax) and their shortcomings compared with a land value tax duly noted. So, why do we not have LVT?

We turn briefly to five objections previously lodged against LVT, as recorded here by Dr. Plimmer, together with her comments and some additions of our own.

(i) LVT is not on owners' or occupants' current income and resources. *Nor is the UBR or council tax, or any other property tax or wealth tax. LVT is a replacement tax, intended progressively to abate and remove taxes from wages, interest, goods, services, and trade. Land has its own ability to pay, precisely because its value reflects the economic and/or social advantages it offers. At present, landholders can, and do, borrow against its value when it suits them.*

(ii) LVT would tax land values before they were realised. *Only someone who deliberately intended to sit on unused or poorly used land and keep it that way, would be caught by this. LVT cannot be levied on land at a rate above its rental value in currently legal and achievable use. [It is essential to distinguish annual rental value from buying/selling price, in which the capitalised rent is frequently likely to have been swollen by significant speculative and other extraneous factors]*

(iii) 'Highest and best use' land values are highly dependent on the proposals and decisions of the planning authorities, which might change over time. *See (ii), above. Proposals are irrelevant to current rental value. So are decisions if they are not sensible (no one would build a 50-storey office block in the back of beyond, even if planning permission were granted for it, and it would be simple to show there is no demand for one). LVT, fully "bedded in", will in any case be expected substantially to facilitate good planning procedures.*

(iv) Taxing owners would weaken the links between local taxation and local representation. *This argument betrays desperation, and was not accepted by the Burt Inquiry into local government finance in Scotland (Report published, November 2006). The UBR is collected locally but is determined and distributed centrally. Neither the council tax nor LVT would be even half way to "fair" without* *equalisation payments from central funds, and no doubt the same would apply in the unlikely circumstance of a local income tax. Besides, who ever said that LVT was meant to be only a little local tax? To us, it is a National Land-Rent Charge.*

(v) Owners are harder to locate (and therefore tax) than occupiers. *Again, one senses desperation. If the occupier is not the owner, and if the owner is wilfully refusing to register his interest in the land and/or cannot be traced, legislation requiring the occupier to pay the tax and have it deducted from any rent due to the owner, resolves the issue. Landholders can go overseas, but their land perforce remains here, highly visible and assessable. Meanwhile, taxes are being removed from buildings and other developments, and from much else. Why should they run?*

LITTLE BITS

(i) "We do not pay a lot for houses in this country. We pay a great deal for the land underneath them" (letter, "The Times", 18th. April). True! Mortgages are often not so much home loans as **housing land** loans. With only the house to be bought, and with LVT leading to reduction and displacement of all those noxious taxes now being demanded of us, there really could be better and affordable housing for all.

(ii) Data uncovered by the think-tank, Global Vision, from fresh figures put out by the Treasury, show that this country's net payments to the **EU** "will rise sharply from £3.27bn a year over the last decade to around £6.4bn during the period from 2011 to 2014" (Ambrose Evans-Pritchard, "Daily Telegraph", 8th. June). "The underlying cause is a summit deal struck by Tony Blair in December 2005 to slash the UK's rebate by exempting the new member states, in perpetuity…The Blair deal will lead to a sharp fall in rebate receipts from 2010…Poorer areas of northern England and Scotland will lose structural funds as EU payments are switched to… Eastern Europe." This is some legacy! It is also further solid evidence of what we have been warning against consistently over the years, most recently in our previous Issue, No. 156, wherein we devoted the whole of the front page to the problem of **life at the geographical and economic margin**. As long ago as February 1999, our Land Value Taxation Campaign produced a special topic paper, "Overcoming The Odds", which foresaw clearly this turn of events.

(iii) The **jatropha** plant is a wild tropical bush whose seeds, crushed and refined, are a source of biodiesel fuel. Deep in the south of India, in Tamil Nadu close to the Kerala border, lies the town of Coimbatore, surrounded by "large swathes of previously uncultivated scrub land", much of it owned by textile firms (Special Report, "Mail On Sunday", 10th. June). "But this vacant land has suddenly jumped in value as its potential for **green energy** projects has exploded." We repeat what we wrote in Issue No. 155: "No argument from first principles, ethical or economic, supports the private appropriation of the Rent of Land. Unless the economic and political relationship between man and his planet is corrected, green politics are certain to be a botch. Landowners are already focused. Are ecologists?"

We should prefer to be self-congratulatory over something more cheering.

A VISION AND A SENSE OF PURPOSE

Whoever would consume must first produce. The division of labour allows specialisation, increasing thereby both production and, through trade, consumption. Some production can be devoted to capital formation, so that the productive power of labour is greatly increased and more wealth becomes available for consumption. All of this is obvious. It does not explain how wealth comes to be so inequitably distributed, nor why some cannot find remunerative employment. Government offers palliatives, of the robbing Peter to pay Paul type, but no cure is in prospect. This is as far as modern thinking goes.

No one examines the distinctive rôle of land. Way out in the wilds there is land that has no economic value: it is termed sub-marginal. Then there is land that can be used for economic purposes only if no charge is made for its use: it is known as marginal. All the rest is sufficiently suited for economic use for charges to be leviable for the privilege of making use of it: this land yields what in political economy is called rent.

Planet Earth is not man-made. Land is fixed in quantity and location. The rent a site commands can be huge. It is a differential, depending on the advantages it affords, on the intensity of economic activity, on where people work, live, and seek their leisure. Land rent is the obvious source of public revenue. Making a reality of such a programme really does "empower" people. Withholding or under-using valuable land becomes a thing of the past; employment opportunities open; wages and goods are relieved of tax; and all who work become the prime savers and owners of capital.

"The land shall not be sold for ever: for the land is mine; for ye are strangers and sojourners with me" (Leviticus, XXV, 23).

"'Who made the land?' My answer, obviously, is that God made it. Indeed, Maker-of-the-Land is a good basic definition of God" (Reverend Professor Donald MacLeod, of the Free Church of Scotland College, 6th. March 1998).

"Impiously violating the benevolent intentions of their Creator, men have made land private property, and thus given into exclusive ownership of the few the provision that a bountiful Father has made for all" (Henry George, "The Condition Of Labour", 1891).

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