PRACTICAL POLITICS

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DECLARATION OF AIM AND PRINCIPLE

Every citizen has equal right to the land surface of the United Kingdom, to its waters, rivers, and lakes, to the territorial waters around it, and to the air space above it, and shall have an equal share in the natural resources thereof. This is to be secured by requiring all who wish to have the privilege of exclusive occupancy of any portion of the national territory to compensate the remainder of the community by annual payment to the Crown of a sum assessed as representing the full site location rent for the land in question. The total yield of such rents is to be the first source of revenue for the public administration, and any surplus is to be disbursed to all citizens *per capita*.

We have looked back at Issue No. 26 of March 1992, written for the General Election on 9th. April of that year, and (just as we did in April 1997 when we were contemplating the General Election to be held on 1st. May, in May 2001 before the Election of 7th. June, and in April 2005 before the Election of 5th. May) we find our 1992 Issue in no need of change. Let it stand as our manifesto this time too. Instead, for the Election on 6th. May, this Issue reproduces some statements and comments made in "Practical Politics" over the last five years, in the hope they will be useful in prompting debate. They are to be found on Pages 4 to 8.

AGRICULTURAL LANDOWNERS REAP THE BENEFITS

The average price of an acre of farmland hit £5,000 last year. Arable land and pasture are commanding higher prices as demand for agri-fuels competes with food production and as the sterling value of CAP subsidies, paid in euros, has risen against the falling pound. A major factor, though, continues to be the tax concessions on offer. Farm losses can be set against income from other sources for up to five years (any more and one is considered to be a hobby farmer). 100% inheritance tax relief is available to any farmer who can claim to have worked the land – or who had someone do it for him – for at least two years. Then there are three separate forms of relief from capital gains tax: entrepreneur's relief on disposals of certain business assets, giving an effective tax rate of 10%; rollover relief, allowing gains to be reinvested elsewhere on the farm, so avoiding the 18% CGT; and holdover relief, transferring ownership to a trust or into another's name, so deferring CGT until the eventual disposal of the farm [a]. Farm workers get nothing out of this. Tenants and would-be new entrants to farming have to buy their way into it all. Does it give anyone ideas for benefit cuts?

[a] Information from an article by Lucy Warwick-Ching, "Financial Times", 20th. February

INDUSTRIAL AND COMMERCIAL PROPERTY and something residential too

This category includes the likes of factories, warehouses, shops, and offices. In the run-up to the present slump, "just about every bank which subsequently got into trouble developed a heavy exposure to commercial property. Small building societies, which knew nothing of the market, stepped up loans to the sector and the big banks that subsequently had to be saved built up massive involvement [b]". We know the process as land speculation.

The return on investment normally expected on commercial property is around 2% over the Bank of England base rate. Money markets are expecting the more or less risk-free government bond yields to rise "to between 5% and 6% [and also] a rise in interest rates towards the end of the year as the BoE tries to control inflation…That makes it tough for businesses to expand [c]". Regulators want banks to build bigger capital bases, but they cannot do that and make more loans at the same time.

Auld Reekie and The Great Wen

"Last year, development companies in Edinburgh experienced the greatest upset for at least a generation", with the turmoil continuing into this year. Most of the fallen and faltering businesses "have suffered because of the banks' revaluations of their assets". In January, Macdonald Estates launched "a subsidiary designed to extract potential from repossessed assets held by banks…Improvement in the global economy will reignite the appetite for hotel development and, since land prices have collapsed, development site acquisition is less painful" [d]. LVT does it all better – much, much better.

Following the crash, Barclays Bank is likewise to invest in the building of a new development, this time of "expensive new homes in Chiswick, west London, on a site that had gone into administration…Barclays said 'We had the choice between crystallising a substantial loss or building the scheme…If we had sold the site, it would have lost us up to half of the value of the loan. This is not to generate profit – this is to mitigate losses'. Banks are sitting on more than £200bn of UK real estate loans, including commercial and residential development, many of which will be either in breach or default of banking agreements" [e]. Banks can no longer lend willy-nilly whilst having to rebuild their balance sheets. Are lessons being learned? Land really matters!

"Greece-based savers moved £8.8bn worth of deposits out of local banks in the first two months of the year…Some of that money is now being channelled into the UK property market…Houses in Paris have also been attracting more interest from wealthy Greeks…In 2009, 93 per cent of all [one estate agent's] purchasers in Knightsbridge, Belgravia and Mayfair were foreign nationals…2010 has seen marked increases in…Greek buyers" [f].

GREECE AND THE EUROZONE

The drama that is modern Greece began with entry to the eurozone based on covered-up figures on the financial state of the nation. Years of unbalanced budgets followed. Then came the crash. Greece now moves to the brink, unable, within the single currency, to devalue and inflate – the usual drastic steps of the financially reckless. The eurozone at first held out little hope of support, then reluctantly came together to offer aid, no doubt after noticing how much Greek sovereign debt was already held by banks elsewhere in the EU. The IMF became involved too, as the grandees of the eurozone came to appreciate the extent of the threatening damage. At this point, Germany began to reconsider its own position. Why should the austere rush to bail out the profligate? Bankrupts must accept the consequences, cut their outgoings. One senior politician even suggested Greece might sell off some of its assets – a few islands, perhaps, to redeem some debt? Feebly, the Eurogroup was trying to contrive a formula which would make aid to Greece seem less like a subsidy (forbidden under EU Treaty rules); but muddle and division were now taking over. The most recent development is that "Spreads on Greek bonds jumped to a post-EMU high of 529 basis points above German Bunds, pushing borrowing costs to more than 8.3pc. The Greek daily 'Kathimerini' said the government was out of its depth and appeared to be in a state of nervous exhaustion" [g]. Greece and its partners are certainly making an uncomfortable drama out of the erstwhile drachma.

IRELAND – Republic and Northern Ireland

The two U.K. government-backed banks, RBS and Lloyds, have both suffered "rapid deterioration in the quality of loans made through their Irish subsidiaries" [h]. Lloyds had some £3bn of "impairments related to real estate property loans made by the Irish business, predominantly through HBOS", as a result of which it is closing its Halifax brand retail operation. RBS owns Ulster Bank where "losses as a result of loan impairments rose to £649m last year". Allied Irish Banks (€24bn of land and development loans), Bank of Ireland, and building societies ESB and Irish Nationwide also reported big bad loans. The Rep. of Ireland government has set up a 'bad bank', National Asset Management Agency, to hold the bad loans. RBS qualifies, but is not participating: the Ulster Bank losses are covered by the U.K. asset protection scheme. NAMA is paying €8.5bn "to acquire more than 1,200 loans with a nominal value of €16bn" and others will follow over the year [j]. Anglo Irish Bank is already nationalised. All those lovely euro payments from Brussels led to wholesale land speculation. This is Nemesis (Oh dear! A Greek!).

[b] Roger Bootle, "Daily Telegraph", 5th. April [c] Mike Phillips, "Estates Gazette, 13th. March [d] Adrian Morrison, "Estates Gazette, 13th. March [e] Daniel Thomas and Ed Hammond, "Financial Times", 27th. February [f] Tanya Powley, "Financial Times", 10th. April [g] Ambrose Evans-Pritchard, "Daily Telegraph", 22nd. April [h] Sharlene Goff and John Murray Brown, "Financial Times", 27th. February [j] Louise Armitstead, "Daily Telegraph", 31st. March

ARGUING FOR A NATIONAL LAND-RENT CHARGE (LVT)

We have not striven here for balance between topics, nor have we sought to cover every topic – notable absentees include rural and environmental concerns, transport and investment in the infrastructure more generally, housing in general, the planning system, and a fuller account of the development of the current cycle of boom and slump.

We have included references to the original text in square brackets. The first two numbers indicate the Issue and the page, and the second two give the month and year. Thus [141/1 7/05] means the extract is taken from page 1 of Issue No. 141 of July 2005.

The ethical stance

"Georgia Railroad and Banking, founded in 1838, owned at least 162 slaves…Bank of Charleston, founded a year later, accepted more than 500 slaves as collateral" ("Daily Mail", 3rd. June). Wachovia, the successor bank to these two, recently reported the occurrences and issued its regrets, "to comply with a Chicago ruling that requires companies that do business with the city to disclose whether they profited from slavery, which ended in 1865."

Chattel slavery is the ownership of a person by another (the master). It is the treatment of a human being as a tradeable object and gives the slave owner the recognised legal right to take for himself the product of the slave's labour (the goods the slave makes or helps to make, and the services he renders). The slave is owned outright, and is treated as a possession, to be pawned at the bank as security for a loan if needs be. In the owner's books, he is not a labourer to be paid a wage, but a capital investment from which the owner pockets the 'interest'.

If 'advanced' societies had listened to the strident voice of custom and to the urgings of long-established legality, chattel slavery would, to this day, be respectable and widespread. Happily, the appeals of reformers to morality and natural justice have prevailed.

A further deep injustice remains to be remedied. There is no ethically sustainable case for the private ownership of land, and therefore no moral justification for the private appropriation of the income stream that derives from it. The universe, our planet, our own country, were none of them made by man. Custom and usage, the passage of parchments for good money, can not legitimise alienation of what was freely given by God (or Mother Nature). We do not call for retribution or even for restoration in respect of past malfeasance: no one is to have his land taken from him. We demand only the future collection for the public revenue of the annual site rental value of all land. That way, all share equally in the bounties of nature; and man-made wealth is progressively freed from tax. The freed slave is now the free man. [141/1 7/05]

What confers the right of private ownership is work – the production of wealth (capital goods as well as goods for consumption) by physical labour, mental effort, and human ingenuity. Neither political economy nor moral philosophy provides the least justification for private ownership of any part of our planet. No land owner or predecessor in title ever made the land, nor is a land owner responsible for the creation and, crucially, the maintenance of the revenue stream that enriches him. [180/1 3/10]

Property is an imprecise word, a trap in economic analysis. It consists of land (the ground, the site) and of buildings and other developments. Buildings depreciate, that is to say they need constant maintenance and eventually wear out and become obsolete. Land does not depreciate. Its value changes with time, reflecting the level of general economic activity; it thus nearly always rises. Land is different! Land is not man-made. Buildings, which have been made by man and are true wealth, add something to what was there before. Those who build them and maintain them are performing a useful function and are individually entitled to enjoy the rewards of their efforts. Mere ownership of land, however, adds nothing. Legislation needs to align public law with morality and recognise the distinction. [150/1 7/06]

Underprivileged landholders?

We are all familiar by now with several well-tried ways to successful landownership. Cash in on grants of planning permission (everywhere and anywhere). Collect other people's subsidies or tax breaks (agriculture). Take advantage of infrastructural improvements (road, rail). Leech on to improved social order (Belfast), devolution of political and administrative authority (Edinburgh, Cardiff), urban regeneration schemes (Thames Gateway). Ride on the back of a collective extravaganza (the Olympics). Suck benefit from the catchment areas of the better schools. Exploit the satisfaction to be had from overlooking lovely parkland, a good beach, the sea, the mountains, the lakes. Rake in the locational spoils offered by business, retail, entertainment, tourism, and residential needs (London and any comparable "hot spot").

Why, though, are some landowners so good at milking rent from their holdings? We have noted a geographical trend. With the odd exception, your south of England landlord is hugely successful at squeezing big money out of his land, but as we move northwards we see increasingly marked fall-off in performance, right through to the Highland lairds whose rent productivity per acre is, frankly, scandalously low. Can it be that the riches of the landowner depend on the presence and activity of *other people*? No personal effort is required: just look at Nature's bounty and wait on the turn of events. There is nothing a landowner, as mere title holder of land, *can* do, anyway! Rural landowners everywhere ought really to be considering rolling up their land and relocating to the centres of the big cities, but that is the one snag of possessing a monopoly location: it just can not be moved. It's a tough life, but it does beat working for a living! [149/1 6/06]

Location is the key

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. [157/4 6/07]

The value of a plot of land depends on the advantages, natural and social, which its location offers. Very few classes of potential user can afford the best sites, much as they might like to have them, because they cannot conduct profitable business from them at the assessed rental value. In short, the site offers advantages which these would-be producers or traders cannot make full use of. Conversely, there are sites which most businesses will not use, even at an annual rent of 5p, because the locations suffer so many disadvantages that costs of production and distribution far offset the cheapness of land. In cases like this, producers need the advantages of much better locations and are willing to pay for them. The land market, freed by national land-rent collection (LVT in its fullness), simply allocates use sensibly and fairly according to who is best suited to exploit profitably the advantages of each unique location. Within this framework, a pattern of margins will be discernible for each trade and for each sector within each trade.

The U.K., being situated offshore at the north-west periphery of the EU, is, with the possible exception of the south-east of England and parts of East Anglia, at a distinct locational disadvantage with respect to the continental heartland, especially since the centre of gravity of the EU has lurched eastwards with the accession of 12 new countries. Taxes of the conventional sort are peculiarly injurious to marginal economic activities. The U.K. has and must retain the right to replace present taxation by a national land-rent charge – and it must use it. The U.K. should press forward with a determined programme to implement LVT now. [156/1 4/07]

Affordable Housing

The cry for affordable housing does of course presuppose that for a good number of people housing is unaffordable. Why? Presumably it is a poverty problem – in which case we should (on the lines set out on page 4 of our Issue No. 157) be looking for a solution to involuntary poverty. Why subsidise housing? Do those who cannot afford to house themselves have to occupy expensive sites? Offering affordable housing to maintain a workforce on expensive land is a hidden subsidy to businesses operating in the vicinity, who would otherwise have to pay more to attract labour from a broader catchment area. This is distorting what might be a tendency to disperse work activities to the periphery, or elsewhere entirely. A supply of labour at below true cost enables city centre landowners to keep raising rents. Is this what we want? Are we to go on running the nation for the benefit of its landholders?

Housing provision is best tackled by assessing and collecting site rental values to bring more land to the market at progressively lower cost. Full LVT in fact eliminates the buying/selling price of land, and allows taxation to be taken off labour and capital and their products. It is now necessary to buy only the building, fencing, driveway, and other improvements such as those made to the garden. More, better, and cheaper housing becomes available, and those who want it are able to afford it, as buyers or tenants. Bureaucrats need only ensure that planning permissions respond to demand. [158/2 7/07]

Air

The air, in political economy, is included in the definition of land – the whole of the material universe apart from man and his products. In our Issue No. 82, we recorded the view of the (then) Deputy Prime Minister, John Prescott, that the slots belong to the community, and, in approving, we urged upon him and his party the policy of LVT. The right to fly in to and out of an airport has a value which can be realised by putting it up for auction and charging a rental. Alternatively, the airport operator (public or private) can do that, just as it lets space for retail shopping outlets, so as to optimise its income (within the bounds of safety and planning consents). Thus the value of the whole airfield site includes a value on the slots as well as the value pertaining to *terra firma*. Planners would then better know the worth of adding to existing facilities – which could be useful in matters such as new runway inquiries. Let the market operate and the exchequer collect the rent! [169/1 12/08]

Infrastructure

Many kinds of infrastructure project rarely make a return on investment, or, if they do, rarely make one early enough or substantial enough to be viewed as commercially justifiable. A new or resurrected railway line in the Scottish Borders, or a new road bridge over the Forth, for example, will be approved by users and most of those affected. Tolls at a bridge, of course, will largely be resented, although, curiously, passenger fares on trains will, in principle, be accepted. The key point in both cases, however, is that the cost of the investment is very great, and that tolls and fares can never make these projects economically viable. Yet there is a paradox here, because in fact the benefits do exist. It is just that they are not within the reach of the projects' builders. Bridges and railways add to land value in the areas they serve, both in the immediate vicinity and in the ripple effect on neighbouring land. With a policy of LVT in operation, the increased value is added in to the pre-existing value and becomes available for collection in a national land-rent charge. [175/1 7/09]

Depression: 1992 and 2009 compared

In Issue No. 116 (July 2002), we wrote that "the seeds [of the next slump] are being sown now, the mechanism will be the behaviour of land, and the timing – well, probably around seven years hence." [168/1 11/08]

The feature, "Landing In Trouble", first appeared in "Practical Politics", Issue No. 29, in July 1992. It was subsequently reproduced by the Land Value Taxation Campaign in the booklet, "Crash Course", in June 1993; a second edition was brought out in September 2002, with the accompanying material revised. The text of the original 1992 article was brought out again as Uncoloured Supplement No. 2 and distributed with Issue No. 161 of "Practical Politics".

In 1992, the principal players were the U.S.A., Japan, the U.K., and Western Europe. This time, Russia and China are major newcomers; Eastern Europe (Baltic to Balkans) has joined in; and the "Asian tigers" (South Korea, Taiwan, Thailand, Singapore, Malaysia, and the Philippines), whose previous boom crashed in 1997, have now synchronised their misfortune with the rest of us.

In this 2009 depression there have been four other divergences from the sequence applying in 1992. In the late 1980s the focus was much more on expenditure on large capital projects, whereas this time the emphasis has been primarily on consumer spending. Devaluation of sterling was delayed last time because of the country's dogged attachment to the rigours of the ERM, whereas on this occasion the floating pound has been able to drop at once to its realistic level on the world's currency exchanges. The third divergence from before is a matter of degree – the size of the already big (and potentially fast growing) burden of government debt. Finally, inflation, which got out of hand at the peak of the last boom, was contained in the early years of the present century by higher interest rates than major competitor nations felt obliged to offer, but is now a clear threat and is set to become a prime preoccupation of the Treasury and the Bank of England. [173/3 4/09]

Development – who benefits and who does not

Take a beautiful coast [on both the Atlantic and Mediterranean outskirts of Tangiers, Morocco], stir in a mixture of human imagination and hard work, reconstruct the best and replace some of the worst of the old town, and attract people – of course people, particularly Europeans who have been living in Spain and now want to escape from what it has become. In all this, the landowners of Tangiers do nothing, except bank the baksheesh. We hope the new arrivals spot the hordes of Moroccans and sundry other transients who cross to Gibraltar to work, and those too who attempt to flee to EU destinations in the hope of improving their dire lot. There are riches in Morocco, but not, it seems, for them, for they are the landless masses. [148/1 5/06]

To end with…

"Millions of immigrants fled from Europe, where land was expensive and wages were low, to America, where land was cheap and wages were high. As land prices rose and wages fell in the East, settlers underwent great hardship to find affordable land in the West...Now that the frontier is long gone and land has become more and more expensive, how will ordinary people find the American dream?" (Council of Georgist Organizations, Evanston, Illinois, April 2008). [164/4 4/08]

"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). [157/4 6/07]

"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. [167/4 7/08]

"The UK now has the longest tax code in the world according to NexisLexis, the publishers of Tolley's tax guide. The handbook of tax legislation now runs to 11,520 pages, a 10pc increase on last year and more than double the number of pages from 12 years ago" (Jonathan Russell, "Daily Telegraph", 7th. September). The full and proper implementation of a national land-rent charge (a.k.a. land value taxation) and progressive withdrawal of to-day's noxious taxes would make for a fine slim volume. [177/4 12/09]

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